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UNITED STATES DEPARTMENT OF AGRICULTURE

U.S. FOREST SERVICE //

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SERVICE COST ACCOUNTING

PURPOSE OF COST ACCOUNTING

The purpose of cost accounting is to furnish accounting information for (1) preparation of reports to the Forester, the Secretary of Agriculture, Bureau of the Budget, the Congress, and the public, concerning the financial operations of the Forest Service, (2) activity, functional and unit costs that may assist in efficient and economical use of funds, and (3) use in the control of cost management of resources in relation to the public benefits derived therefrom.

COST ACCOUNTING OBJECTIVES

The more important principles, which are to serve as guides to the application of the system and which are not to be lost sight of by those responsible for obtaining the cost information desired, are set up as objectives and provide for the following: (1) simplicity and flexibility, (2) separation of resources, (3) separation of units of organization, (4) separation of overlapping cost elements, (5) reduction of overhead through direct charging, (6) separation of investment and expense, (7) separation of expense contributing to production of income, (8) cumulative record of investments, (9) depreciation as a cost, (10) adjustment of deferred and accrued charges, (11) cost records to be maintained on forests without regard to appropriations.

Cost accounting records as hereinafter prescribed will be kept by all regional offices, forests, experiment stations, nurseries, Forest Products Laboratory and Tax Inquiry.

Because the work of the Forest Service is so diversified and interwoven, clean cut charging of expenditures recognizing these objectives cannot be made one hundred per cent effective, but by striving for the distinctions enumerated the classification of accounts prescribed may be developed so that it will give information sufficiently accurate for practical use. While accounting depends for its presentation on the use of an exact science, mathematics, the results produced are not necessarily exact, but if tendencies are correctly shown administrative control through use of accounts will usually be as effective as if exactness had been attained.

Records to Be Kept

The following cost accounting records will be kept as required:

1. Activity Expenditures.
2. Activity Costs and Investments.

Activity Expenditures represent a classification of accounts which includes only the actual disbursements for a fiscal period,

the total of which must agree with the total of actual disbursements from appropriations as shown by the voucher register.

Activity Costs and Investments deal not only with actual disbursements of a fiscal period, but with all past disbursements as such affect the costs and financial status of the current fiscal period. The basic data for the activity costs and investments are obtained from the activity expenditures. The principles and procedure to be followed in this feature of the system are given under the heading, Activity Costs and Investments.

ACTIVITY EXPENDITURE ACCOUNTS

The following list of accounts is designed to provide for building up a proper record of activity expenditures based on actual disbursements and at the same time recognize all the provisions set forth under "Cost Accounting Objectives."

Indirect Accounts

1. GENERAL OVERHEAD

Expense Accounts

- 2. Timber Sales
- 3. Forest Products Sales
- 4. Timber, Non-revenue
- 5. Grazing, C&H, Revenue
- 6. Grazing, S&G, Revenue
- 7. Grazing, Non-revenue
- 8. Fish and Game, Revenue
- 9. Fish and Game, Non-revenue
- 10. Uses, Revenue
- 11. Uses, Non-revenue
- 12. Recreation, Non-revenue
- 13. Water, Non-revenue

- 14. Land Adjustments
- 15. Maintenance Roads, Forest Development
- 16. Maintenance Trails
- 17. Maintenance Roads, Forest Highways
- 18. Maintenance Headquarters, Improvements
- 19.1 Maintenance, Other Improvements
- 19.2 Maintenance, Other Improvements, R&T

Investment Accounts

- 20. Roads & Trails, Forest Development
- 21. Roads, Forest Highways
- 22. Headquarters Improvements
- 23.1 Other Improvements
- 23.2 Other Improvements, R&T
- 24. Acquisition, Exchange and Gift
- 25. Acquisition, Purchase
- 26.1 Reforestation, Field Planting and Seeding

- 26.2 Reforestation, Other
- 27. Nurseries
- 28. Timber Surveys and Plans
- 29. Grazing Surveys and Plans
- 30. Fish and Game Surveys and Plans
- 31. Recreation Surveys and Plans
- 32.1 General Surveys and Maps
- 32.2 Other Investments
- 33. Timber Stand Improvement
- 34. Road and Trail Equipment

35. Fire Equipment
36. General Equipment

37.1 Stores
37.2 Stores, R&T

Protection Accounts

38. Fire Prevention
39. Presuppression

40. Fire Suppression
41. Insect Control & Other
Timber Protection

Co-operation and Miscellaneous Accounts

42. Fire Co-operation
43. Reforestation Co-operation
44. Forestry Extension, Co-
operation

45. Timber Disposal, Co-opera-
tion
46. Other Co-operation
47. Research, Silviculture and
Products
48 Research, Range

Suspense Accounts

49. Supplies and Other Sus-
pense.

50. Salaries and Wages Sus-
pense

GENERAL EXPLANATIONS

The following explanations of objectives and principles are to be observed in carrying out the cost accounting system:

Simplicity

Simplicity is to be striven for in not seeking to record unnecessary information and in presenting the principles on which the accounting system is constructed so that those responsible for recording the data may do so with a clear understanding of what the Forester is endeavoring to accomplish. Activity definitions serve as immediate and necessary guides but an understanding of the objectives behind them will be of assistance in case of doubt as to how things should be charged in much the same way that proper marking of timber is aided by an understanding of the objective.

Flexibility

The system is flexible in that the Service accounts may be expanded or divided as desired to obtain more detailed information. Work varies by regions and forests to such extent that the degree of detail needed on one unit is not needed on another.

The system is also flexible in permitting of grouping the accounts in more than one way. This is not provided for one hundred per cent in the list of accounts required for the Service uniformly, but may be developed locally as needed. The grouping in the list is essentially to show a separation of expense and investment accounts. It is incomplete in that there are three groups of accounts, Indirect, Protection, and Co-operation and Miscel-

laneous, that may not properly be classed as either expense or investment. Other groupings that may be made are by resources, revenue and non-revenue, and the accounts may also be kept separately and grouped by units of organization such as regions, forests or ranger districts, as well as for the entire Service. The completeness of the grouping is facilitated by use of expansion accounts and by making periodic adjustments. For instance, the classification of the expense and investment accounts is made more complete in the grouping when General Overhead is distributed to all of the other accounts. This adjustment likewise improves a grouping of the accounts on any other basis.

Separation of Resources

Resource, as used herein, does not mean assets, or property of all sorts, but is used to designate the products or source of benefits derived from the National Forests. The derived benefits from the National Forests which are recognized in the Service list of accounts or may be recognized by expansion are classified under the following headings: (1) Timber, (2) Grazing, (3) Water, (4) Recreation, (5) Fish and Game, and (6) Land. There are some expenditures which do not pertain to the resources of the National Forests directly but apply more particularly to similar resources outside the National Forests or to activities which in the main should not be considered as a part of Forest Service administration and protection costs. These expenditures are grouped under the heading, Co-operation and Miscellaneous.

Accounts for all the recognized forest resources have not been set up in the Service required accounts because they would not draw direct charges at this time. Such are Recreation, Revenue and Land, Revenue. It is intended that they shall be recognized when found desirable through expansion accounts.

Protection expenditures have not been subjected to any separation by resource or classification recognized in the accounting objectives, except for the separation of investment in equipment. Protection expenditures pertaining to the National Forests will be maintained as a classification in itself until such time as developments may make possible a division of the expenditures according to the established accounting objectives. It is recognized that these expenditures have the aspect of both expense and investment, revenue and non-revenue, and in many cases pertain to all of the resources. With the exception of investments in equipment, it is impracticable to make any of the separations currently a Service requirement. They may be made locally as logical means are found for doing so.

The six classes of resources are not all clear cut and independent but are to some extent interlocking and overlapping. Some rules are needed as a guide in classifying expenditures to

the various resources. For the most part these rules are supplied in the definitions of the various activity expenditure accounts. However, some general explanations are given here as an aid to broader understanding of the principles involved.

The timber and grazing resources are the most distinct. However, the expenditures on account of the water resource are merged in protection very largely and in special use permits. If the completeness of the charges to these resources is being attempted by expansion accounts, special use permits pertaining to them should be included in the group with their respective resource accounts.

Protection of watershed areas where timber production is of no importance or a special use permit for a power project would be a proper charge to the water resource. Here also would be charged expenditures in connection with prevention of flood damage and erosion. Practically all special use permits are chargeable, under expansion accounts, to the resources representing products of the forests. There are a few miscellaneous ones, however, in which there is no product that falls within the classes selected, such as cultivation of land, gravel permits, and occupancy permits of various kinds. These permits are considered land resources. Where there appears to be a conflict in the classification of an expenditure to a resource, the predominant product or benefit produced as represented in one of the six resource classifications will govern. In a power permit, power is the product but this is not recognized as a resource in the classification, but water, the immediate source of the power is the classification to be recognized. Fish culture is a Fish and Game resource, although the operation requires the use of water and land.

Recreation, as a resource, must of course mean the things physical or intangible which attract those seeking recreation to the forest. Theoretically, this would include fish and game as well as timber, yet these are included in other resources and may not be included under Recreation. Expenditures charged against the Recreation resource should not, therefore, include expenditures in connection with other specific resource classifications or protection.

Although there are logical reasons for handling it otherwise Fish and Game is considered a separate resource. The Service is charged with the responsibility of game protection and development in the National Forests. The Service activity in fish and game protection is warranted from the standpoint of recreation afforded the public and were it not that fish and game represent a distinct product, as well as in a few instances an economic product from which the Service derives a revenue and for which a separate accounting is desirable, it might well be classed as a Recreation resource.

Separation of Units of Organization

Expenditures naturally divide themselves by the major administrative units for which accounts are maintained, such as regions and forests. Some adjustments are necessary, however, to make the division complete as in the case of interregional and interforest details. The system does not specifically recognize expenditures by branch administrative units such as Range Management, Forest Management, Lands, etc., although the accounts may be grouped to indicate these divisions to some extent.

A division of the expenditures by ranger districts on the forest may also be obtained at the discretion of the regional forester or forest supervisor, the record being kept in the supervisor's office.

Separation of Overlapping Cost Elements

It is of first importance to allocate expenditures directly where possible to the activity expenditure accounts. There are, however, items or elements of expenditure that are common to more than one account. For instance, there may be supervision of timber sales, supervision of grazing, etc., and there may also be supervision which applies to all activities but which it is not practicable to separate and charge currently to the activities affected. In the first two instances, the charge will be to the activities affected and in the latter instance the charge will be to General Overhead.

There are a number of overlapping elements of cost of this nature which are large in the aggregate and concerning which information may be desired from time to time not only as to the total but the amount entering into each activity. The most important of these are: (1) Supervision, (2) Headquarters, (3) Mail and Supplies, (4) Transfer of Station, (5) Maintenance Personal Equipment, (6) Maintenance Government Equipment, (7) Minor Surveys and Maps, (8) Meetings, (9) Public Relations, (10) Training, (11) Travel.

These accounts are not only overlapping as between activity accounts but also as between themselves. For instance, at a meeting any one or all of the overlapping activities or elements might receive attention and hence time could be charged to more than one caption. Training might be taken up for consideration at a meeting but also deal with training in public relations work. Likewise travel time and expense in connection with a meeting will involve all of these divisions. It will usually be found impracticable to obtain records on all the divisions at one time. When information is desired on any of these overlapping elements, only those should be selected for study at one time that will involve the least conflict. One of two methods, depending on the information desired, may be used in obtaining expenditures for an overlapping element of cost: (1) by treating it as a detail

or expansion account under each regular account and summarizing to obtain the total for the element, (2) by treating it as one supplemental or memorandum account to receive all charges of that nature which are currently charged to the activities concerned. Thus supervision of Timber Sales, Grazing, etc., while being charged to those accounts, would also be charged to the memorandum account, "Supervision." When the desired information has been obtained the expansion or supplemental records will be discontinued.

Reduction of Overhead Through Direct Charging

This will be accomplished chiefly by use of the service report by supervisory officers as well as by those doing direct work on activities. All members of the personnel of Forests or other field units will distribute their time and expense, making the charges directly to the activities affected whether such time be supervisory, inspection or direct work. Employees of the regional office who do direct work on the forests, such as surveying, reconnaissance, etc., will distribute their time and expenses in the same manner, except that they will not distribute their supervisory work to the forest but to the region. Those doing chiefly supervisory work in the regional office will make such use of the service report as is necessary for the distribution of their time and expenses to activities.

Separation of Investment and Expense

Investment, as herein used, pertains to those expenditures the benefits from which extend over a period of more than a year. Such expenditures are usually referred to as assets. The purpose of setting up investment accounts is to separate them from the current operating expense. Investments apply to tangible property such as constructed improvements, equipment, and land acquired through expenditure of funds as well as intangibles such as grazing surveys and plans, timber surveys and plans, etc. While forest lands and timber in general represent assets, they are not to be taken up or included in the records as investments, if there has been no outlay for them. Such land as is acquired through procedure outlined under accounts Nos. 24 and 25 will be considered investment and so taken up in the records. The value of timber alone exchanged for land, plus the cost of making the exchange, will be considered as the investment in land acquired. Expenditures for purchase of lands or in connection with exchange of lands are to be considered as investments. Some investments such as constructed improvements, grazing surveys and plans, etc., will depreciate in value, while others such as land will usually not.

It is not intended that the distinction as to investment expenditures be drawn so fine as to make for burdensome accounting.

Minor expenditures of an investment nature for which a continuing record is not essential and which will not affect current operating expense materially may be disregarded as an investment and charged in to current expense either against the resource activity expense account benefited, to maintenance or general overhead as may be most appropriate. Minor improvements investments when amounting to considerable in the aggregate may be grouped as "Miscellaneous Small Projects" as may be directed by the forest supervisor. Strictly, an "investment" is represented by an expenditure the benefits from which will last longer than the current fiscal period and is not limited by the amount of the expenditure, but practically such an interpretation need not be strictly adhered to. Reconstruction of an existing improvement should be considered an investment if of a material amount, it being assumed that an appropriate decrease in the cost of the original investment will have been made through application of depreciation. Improvements acquired without cost including improvements constructed under special use and transferred to the Government will be taken up as an investment at their appraised value when actually maintained and used, and depreciation applied as for other improvements.

"Expense" pertains to those expenditures the benefits from which are obtained during the current fiscal period. As in the case of investment expenditures the distinction is not to be drawn so fine as to be burdensome. Some expense accounts such as Timber Sales, may include expenditures of a character and in sufficient amount, as in the case of marking of a considerable amount of timber that will not be cut during the period, as to warrant its elimination from expense when costs rather than expenditures are sought. Such items are referred to as deferred charges and are treated similarly to investments in writing their cost into subsequent fiscal periods. In the activity expenditure records such items are, however, to be treated as expense.

From the foregoing it may be seen that expense accounts are not always one hundred per cent current expense and adjustments may sometimes be necessary at the end of the fiscal period to make them more nearly represent current cost.

Protection, in the Service list of accounts, is a mixture of expense and investment and is to be so maintained, except for equipment, in the activity expenditure record. Reforestation and Nurseries are listed as investments and this is proper in the present stage of development of the National Forests, but eventually these activities will take on the aspect to some extent if not entirely of current expense. This will be true when reforestation is on the basis of replacing current cutting or current losses from fire.

Separation of Expense Contributing to Production of Income

In the activity expenditure accounts this separation is made only for resource expense accounts for which a charge is made, either directly or indirectly in their utilization. The fact that no direct charge may be made for a sawmill permit, a pasture or corral permit, is not the governing factor in deciding whether expenditures in connection with such permits should be classed as revenue expenses. If their use is in connection with the utilization of a resource for which a charge is made, the expenditures in connection with such permits should be classed as revenue expenses. No fee is charged for a permit on account of private land, but expenditures in connection with such a permit should be regarded as revenue expenses since the arrangement is considered desirable for efficient utilization of forest grazing lands. Expenditures in connection with marketing timber exchanged for land will be revenue expenses of timber sales and not an investment in acquired land, since the value of such timber is indirectly the investment in land. The necessary adjustment to show this will be made when Activity Expenditures are converted to Activity Costs. Expenditures in connection with making the exchange aside from disposing of National Forest timber should, however, be charged to the investment account, Acquisition, Exchange or Gift.

Cost Records to be Maintained on Forests Without Regard to Appropriations

Each forest or unit is responsible for accumulating and compiling the activity expenditures pertaining to the unit. This will permit the forest supervisor to make such expansions and apply such special features of the system as local conditions warrant. Activity expenditures are to be accumulated without making any separations of expenditures by appropriations.

Co-operation and Miscellaneous

In the list of required Service accounts there are a number which represent activities that are not properly a cost to the Service for the administration and protection of the National Forests, although some of the work is actually done by the forest personnel and forest funds expended. These are classed "Co-operation and Miscellaneous." The greater part of these expenditures in the Service, however, are made in the regional office, at experiment stations and in the Washington office. The part that is done on forests is usually in the nature of co-operation in which the Service co-operates on another individual's or agency's job instead of receiving their co-operation on a Service job. Another characteristic of these accounts, particularly the co-operative accounts, is that the expenditures do not usually result in the production of benefits directly from the National Forest re-

sources or contribute to their development.

Co-operative deposits for the maintenance and construction of Service improvement projects will usually be considered as contributing to Service resource costs, since such expenditures are for the benefit of National Forest resources, but maintenance of improvements that do not belong to the Service or in which it has no equity, as in the case of a Reg. G-15(b) improvement, will not be considered as contributing to Service resource costs and will be charged as a cost of co-operation until the improvement becomes Service property. Expenditure of funds deposited for co-operative brush disposal on timber sales or on private lands is an expense of the timber sale operator and merely represents work which the Service does for him and which he would otherwise be required to do.

Deposits made for protection of private lands within or adjacent to the National Forests also represent expenditures for work which the Service does for others and when practicable should ultimately be charged to Fire Co-operation. Since such funds are not always used directly for the purpose intended, but may be offset by use of an equal amount of Service funds for the purpose and applied in conjunction with other Service work, a division of the charges currently is not usually practicable. However, the forest protection accounts should be adjusted at the end of the fiscal period by transferring from them to Fire Co-operation the amount of co-operative deposits received during the fiscal year for such work, the deduction from Fire Suppression and Presuppression being in proportion to the division made in the funds collected for these purposes. Undeposited co-operative funds (funds appropriated by counties or others against which the Service may incur expense), may be included in the protection accounts or Fire Co-operation, whichever is appropriate.

Although fire control costs of the Service under a co-operative agreement may be greater or less on private lands during the year than the amount collected under the agreement, the regular Service fire control costs will be considered as being reduced only by the amount of the collections. If, through mutual understanding, forest and State or other officers co-operate in fire control on lands for which the other party is responsible and no adjustment in expenditure is made between the Service and such agencies, the Service will consider its expenditures in such cases as its own fire control costs on the assumption that they are offset by the other agencies' co-operation in fire control on National Forest lands.

The primary purpose of the Co-operation accounts is to segregate the costs of Service activities that do not properly belong in the National Forest resource costs.

The Service co-operates to a considerable extent with other bureaus of the Government in performing work for which they are responsible, such as reading snowscales, stream measurements, extermination of predatory animals, gathering lumber statistics, etc. The Service receives benefits from these expenditures, is usually the instigator of such work and should ordinarily absorb the costs in forest resource accounts. When the co-operation is clearly of no benefit to National Forest resources it should be charged as Co-operation.

DEFINITION OF ACTIVITY ACCOUNTS

The following definitions are intended to assist in making a correct current distribution of expenditures to the required activity expenditure accounts. They will be of particular value to the new man and temporary employee who is not in the Service long enough to become acquainted with the principles on which the distribution is based. Permanent employees should acquire an understanding of these principles, since an analysis on the basis of the principles that govern will often give more correct results than following arbitrarily the activity definitions. In other words, it is believed that employees distributing their time and expenses can do so more accurately when the accounting results to be attained are understood than to be guided merely by detailed activity definitions which attempt to cover every contingency and are therefore apt to be expressed in too general terms when applied to a specific circumstance. For practicability in accounting it sometimes becomes necessary to disregard a strict application of the principles, in which case good judgment coupled with an understanding of the desired ends will aid materially in attaining the results desired.

In the activity definitions the more important overlapping elements of costs are defined under the first account, General-Overhead. These same elements apply in all other activities in varying degrees, and to save space definitions of them are not repeated under each activity. However, in order that they may not be overlooked attention is directed to them under each activity by merely including as representative work or jobs the words "General Overhead elements." They are not to be considered separate accounts except upon issuance of specific instructions to that effect.

Wherever the term "expenditures" or "expenses" are used in the definitions, they should be understood as including all classes of expenditures such as value of time of employees, temporary labor, traveling expenses, materials, supplies, freight, hauling, etc. However, attention is called to the principle that the cost of semiexpendable and nonexpendable equipment is not to be treated as a charge against the activity for which purchased but must be charged to the appropriate equipment accounts.

The cost of semiexpendable and nonexpendable equipment will include the purchase price or manufacturing cost, assembling, freight and hauling charges, when practicable, necessary to get the equipment to the forest or other unit. Ordinarily it will not be practicable to include transportation charges on small equipment in the cost of such equipment, the charges being more readily made to the activities concerned. Cost of equipment should not include transportation charges from supervisor's headquarters or railroad points in or near forests to the job on which used, but may include transportation charges on purchased equipment from regional office headquarters to the forest. Time spent in purchasing equipment will not be included as a cost of the equipment but as a cost of the activity for which purchased, unless practicable to segregate the time in purchasing as in the case of spending considerable time in purchasing large and expensive equipment.

INDIRECT ACCOUNTS

1. General Overhead

Includes expenditures which cannot practicably be charged currently to other activity accounts. The classes of work or expenditures that are not direct but are incident to other activities should be charged to those activities; as, transfer of station of a project timber sale employee would be charged to Timber Sales. When the class of work or expenditure is of a general nature as not to admit of allocation directly to other activities, it will be charged to General Overhead; as, transfer of station of a district ranger. Representative expenditures:

(a) Supervision. Includes expenditures in superintending, directing, and inspecting the work of others, and giving out instructions, by employees above the rank of ranger or by a ranger acting in a supervising capacity for the supervisor when such expenditures are general in nature and cannot be charged directly to the activity or project affected. It will not include time of clerks and others unless acting in a supervisory capacity.

(b) Headquarters. Includes expenditures for rent, heat, light, water, janitor service, post-office box rent, telephone rental and tolls, telegrams, stationery, forms, expendable office supplies, and other similar expendable property and supplies necessary at headquarters; miscellaneous office work at official station or town in which station is located, such as reading instructions, miscellaneous study time on manuals and handbooks, filing correspondence; miscellaneous dictation, typewriting, account and record keeping and other clerical work; cleaning barn; shoveling snow; raking yard; etc. No expenditures will be charged here which can practicably be charged directly to the activity benefited. Maintenance of all improvements at head-

quarters stations, except Road and Trail implement or storage sheds, will be charged to Maintenance of Headquarters Improvements. Maintenance of road and trail sheds, etc., will be charged to activity No. 19.2 Maintenance, Other Improvements, R&T.

(c) Mail and Supplies. Includes expenditures of officers in securing mail, supplies and equipment, but not the purchase price thereof. Special trips in connection with a given activity should be charged direct to the activity or project benefiting.

(d) Transfer of Station. Includes authorized expenditures incident to transfer of a forest officer from one station to another including transfers between winter and summer stations; also includes expenditures for crating, transportation and drayage on personal effects. Expenses incident to transfer of project men should be charged directly to the activity or project involved.

(e) Maintenance Personal Equipment. Includes expenditures incident to upkeep of personally-owned horses, motor vehicles and other equipment used in official work; cost of forage whether purchased or grown; hauling horse feed; hunting for lost horses; expenditures for damages to and loss or destruction of horses or other personally-owned equipment. Charge should not be made here when a direct activity charge can be made as is the case of hunting for a lost horse being used on a specific activity or project.

(f) Maintenance Government Equipment. Includes expenditures for care and maintenance of animals, maintenance and operating costs of motor vehicles, and care and repair of equipment, whether expendable, semi-expendable or non-expendable; checking property incident to resignation or transfer of station, etc.; inventory of tools and equipment; investigating and prosecuting property trespass.

Maintenance and operating costs of equipment used on specific activities should be charged direct to the activities or projects benefiting whenever practicable: The cost of maintenance and upkeep of pack stock, teams and motor vehicles used on more than one activity which cannot be distributed to these activities until a later date will be charged to "Supplies and Other, Suspense" and later distributed to activities on the basis of service reports covering the use of such equipment.

(g) Minor Surveys and Maps. Includes expenditures incident to making minor surveys and maps, boundary surveys and boundary posting of an incidental character, map corrections and revisions, assembling and recording data on land status of a general character, copying field notes for surveys, and compilation of any geographic or map data, when such expenditures are not large or of a project nature and more properly to be treated as a charge to the investment account, "General Surveys and Maps."

(h) Meetings. Includes expenditures incident to attendance at ranger, supervisor or other miscellaneous service and public meetings, scheduled contacts, etc., when not chargeable direct to specific activities or projects.

(i) Public Relations. Includes expenditures for this class of work pertaining to any forest activity which cannot be charged directly, such as "show me" trips, etc. General forestry publicity and public relations work not pertaining to the national forest resources will not be charged to General Overhead or any of the resource activities but to the appropriate account under Co-operation and Miscellaneous.

(j) Training. Includes expenditures which cannot be charged directly to specific activities or projects, and covers both time and expense for training of Service personnel in training positions as well as time spent on Service study courses. (See also instructions under "Distribution of time.")

(k) Travel. Includes expenditures for both time and expenses incurred in official travel which cannot be charged directly to activities or projects. (See also instructions under "Distribution of Time.")

(l) Miscellaneous. Includes expenditures not otherwise classified, such as, miscellaneous office work away from headquarters, reports on seed crops and collection of seed when not of sufficient importance to warrant charging to the investment account No. 37.1—Stores; trips with visiting officers, trips from winter station to summer stations for inspection of premises; transporting an injured officer to the doctor; searching for a lost employee or visitor; expenditures by new men in going over district with another Forest officer for the purpose of acquiring a general knowledge of the country.

EXPENSE ACCOUNTS

2. Timber Sales.

Includes expenses of commercial sales, sales at cost (S-22) administrative use and timber settlement, in which the product may be reduced to feet board measure and from which income is received. Representative expenses: (a) General Overhead elements, (b) Negotiation of sales, (c) Estimate and survey, including maps, (d) Appraisal, (e) Advertising, (f) Marking, (g) Scaling, (h) Brush Disposal, (i) Boundary posting, (j) Trespass and law enforcement, (k) Administration, including cruising and examination of cut-over areas for penalty scale and compliance with contract, (l) Investigations, (m) Free special use permits issued in connection with this activity whether a regular part of the Sale agreement or covered by separate permit.

Estimate and surveys (c) pertain primarily to individual sales but may also cover minor estimates and surveys for timber sale

planning purposes. When made in connection with large sales where it is estimated the cutting will extend over a period of approximately two years or more, it should be treated as a project and charged to the investment account, Timber Surveys and Plans; likewise for (d) Appraisal. Brush disposal work done by the Forest Service for which co-operative money is deposited will be charged to Timber Disposal Co-operation, but supervision such as is given brush disposal by the Service when performed by the operator will be charged to Timber Sales. Only such supervision as is paid for by the Operator will be charged to Timber Disposal Co-operation. Investigations (1) as distinguished from Research, include small investigative projects such as growth studies conducted by local men for local use. When conducted on a large scale primarily for local plan purposes, the charge should be to investment account, Timber Surveys and Plans. The incidental value of the data for other than local use will not be considered.

3. Forest Products Sales.

Includes expenses of sale of timber products from the national forests in which the product is not reduced to feet board measure and from which income is received, such as Christmas trees, ornamental stock, wild seedlings, turpentine sales, shrubs, roots, cascara bark, etc. Representative expenses: (a) General Overhead elements; (b) Negotiation of sales, (c) Estimate and Surveys, including maps; (d) Appraisal, (e) Advertising, (f) Marketing, (g) Measuring or counting, (h) Brush disposal, (i) Boundary posting, (j) Trespass and law enforcement, (k) Administration, (l) Investigations, (m) Free special use permits issued in connection with this activity, whether a regular part of the sale agreement or covered by separate permit.

Explanations made under foregoing account apply here also.

4. Timber, Non-revenue.

Includes expenses of disposal of timber and forest products from the national forests from which no income is directly derived. Representative expenses: (a) General Overhead elements, (b) Free use, (c) Minor free administrative use incident to removal of timber for improvement of stand, (d) Timber settlement involving no payment for the timber.

Large disposal projects under free administrative use for improvement of the timber stand will be charged to the investment account, Timber Stand Improvement.

5. Grazing, Cattle and Horses, Revenue.

Includes expenses incident to grazing cattle, horses and swine on the national forests and from which an income is derived. Representative expenses: (a) General Overhead ele-

ments, (b) Taking applications, (c) Counting stock, (d) Issuing permits and notices, (e) Appraisals, (f) Salt enforcement, (g) Inspecting ranges, (h) Posting notices, (i) Reports, maps and surveys, (j) Trespass and law enforcement, (k) Investigations, (l) Permits on account of private lands, (m) Extermination of predatory animals when for protection of this class of stock, (n) Free special use permits issued in connection with this activity.

Current appraisal work will be charged here but when undertaken on an extensive scale will be treated as a project and charged to investment account, Grazing Surveys and Plans. Investigations, as distinguished from Research, include small investigative projects such as grazing quadrat and fenced enclosure studies and collection of range forage plants for identification conducted by local men for local use. When conducted on a large scale for local plan purposes, the charge should be to investment account, Grazing Surveys and Plans. Unit allotment plans when made as a current part of grazing administration will be charged here but when undertaken on an extensive scale in any one year they will be treated as a project and charged to Grazing Surveys and Plans.

6. Grazing, Sheep and Goats, Revenue.

Includes expenses incident to grazing sheep and goats on the national forests and from which an income is derived. Representative expenses: (a) General Overhead elements, (b) Taking applications, (c) Counting stock, (d) Issuing permits and notices, (e) Appraisals, (f) Salt enforcement, (g) Inspecting ranges, (h) Posting notices, (i) Reports, maps and surveys, (j) Trespass and law enforcement, (k) Investigations, (l) Permits on account of private lands, (m) Extermination of predatory animals when for protection of this class of stock, (n) Free special use permits issued in connection with this activity.

Explanations made under account No. 5 apply here also.

7. Grazing, Non-revenue.

Includes expenses incident to grazing all classes of stock on the national forests from which no income is derived. Representative expenses: (a) General Overhead elements, (b) Exempt stock, (c) Free crossing permits when not in connection with stock under paid permit.

8. Fish and Game, Revenue.

Includes expenses incident to study, protection and development of fish and game on the national forests from which an income is derived. Representative expenses: (a) General Overhead elements, (b) Trespass and law enforcement of national and state laws, (c) Capture and disposal, (d) Game census and reports, (e) Extermination of predatory animals when for pro-

tection of fish and game, (f) Free special use permits issued in connection with this activity, (g) expense in connection with hunting and fishing permits, from which revenue is derived.

When game which is the property of the United States is disposed of and the income goes into the Forest Reserve Fund, as in the case of certain national game refuges, expenses incident thereto will be charged here.

9. Fish and Game, Non-revenue.

Includes expenses incident to study, protection and development of fish and game on the national forests from which no income is derived. Representative expenses: (a) General Overhead elements, (b) Trespass and law enforcement of national and state laws, (c) Capture and disposal, (d) Game census and reports, (e) Extermination of predatory animals when for protection of non-revenue fish and game, (f) stocking streams and care of nursery ponds.

The capture and disposal of surplus game, the expenses of which are met by co-operators, will be charged here, as well as the disposal of game paid for out of Service funds, since the remaining game benefits from the disposal.

10. Uses, Revenue.

Includes expenses pertaining to special use work from which income is or will be derived either directly or indirectly whether or not permit issues. Representative expenses: (a) General Overhead elements, (b) Examination, mapping, surveying and reporting, (c) Showing areas to prospective permittees, (d) Permits and notices, (e) Trespass and law enforcement, including state sanitary laws.

Expenditures of a project nature in connection with examination, mapping and surveying summer home sites in advance of the receipt of applications, should be charged to the investment account. "Recreation Surveys and Plans," No. 31.

Water power permits from which the Service is credited with the income will be charged here. Federal Power Commission cases will be charged to the account, Uses, Non-revenue, since the Service is not credited with the income, although benefits from national forest resources are involved.

11. Uses, Non-revenue.

Includes expenses incident to special use and rights of way work on the national forests from which no income is derived, including Interior Department easements and Federal Power Commission cases. Representative expenses: (a) General Overhead elements, (b) Examination, mapping, surveying, and reporting, (c) Showing areas to prospective permittees, (d) Permits, (e)

Trespass and law enforcement, including state sanitary laws in connection with uses. The cost of free special uses issued in connection with the resource for which a charge is made will be charged to the resource account and not to "Uses, Non-revenue." For instance, the cost of a free permit for a corral or cabin in connection with a Revenue Grazing Permit is a proper charge to the grazing account.

12. Recreation, Non-revenue.

Includes expenses incident to use of national forests for recreation from which no income is derived. Representative expenses: (a) General Overhead elements, (b) Cleaning up public camp grounds, (c) Enforcement of state sanitary laws when not in connection with special use permits, (d) Counting, registering and reporting number of visitors to forests when not in connection with specific fire prevention measures, (e) Minor recreation plans, (f) Miscellaneous expense in connection with the supervision and control of use of recreational resources of the national forests.

Most of the expense in connection with this resource falls under more specific accounts, such as free recreation uses, improvements and recreation surveys and plans.

13. Water, Non-revenue.

Includes expenses incident to water resources of the national forests. Representative expenses: (a) General Overhead elements, (b) Survey of water resource, (c) Snowscale reading, stream measurements, rain gauge readings and reports, (d) prevention of flood damage and erosion.

Minor erosion control work incident to other activities should be charged to the activities of which it is a part. For example, minor erosion control incident to brush disposal on Sale areas should be charged to "Timber Sales." Similarly, minor erosion control incident to utilization of grazing areas should be charged to the appropriate grazing activity.

Use and power permits, involving use of water, will be charged under Uses, but when segregated by expansion accounts may be grouped under this heading when determining resource costs.

14. Land Adjustments.

Includes expenditures incident to lands activities necessary for proper classification of lands within the national forests and disposal of non-forest lands. Representative Expenditures: (a) General Overhead elements, (b) Expenditures, for homestead and mineral claims work, entry surveys, land classification, eliminations, and land status work pertaining exclusively to foregoing activities.

15. Maintenance Roads, Forest Development.

Includes expenses incident to repair and maintenance of all major development roads and truck trails embraced in the forest road development system, which are of primary importance for the protection, administration and utilization of the National Forests. Representative expenses: (a) General Overhead elements, (b) Maintenance expenditures on this class of roads, and maintenance of equipment used on maintenance work, (c) Maintenance of bridges on such roads, (d) Replacement of Road Signs and sign plans work subsequent to construction.

16. Maintenance Trails.

Includes expenses incident to repair and maintenance of all trails and ways in and adjoining the national forests. Representative expenses: (a) General Overhead elements, (b) Maintenance expenditures on trails and ways including maintenance of equipment used in such work, (c) Maintenance of bridges on such trails and ways, (d) Replacement of trail signs and sign plans work subsequent to construction.

17. Maintenance Roads, Forest Highways.

Includes expenses incident to maintenance of roads embraced in the Forest Highway System, which consist of roads of primary importance to the State, counties, or communities within, adjoining, or adjacent to the National Forests. Representative expenses: (a) General Overhead elements, (b) All maintenance expenditures on this class of roads.

This work is usually done by the Bureau of Public Roads. The expenditures to be reported here will include all those reported by that Bureau to the Forest Service including all equipment charges. These expenditures of the Bureau will be taken up in the regional office as a regional charge to this account.

18. Maintenance Headquarters Improvements.

Includes expenses incident to repair and maintenance of permanent improvements at both summer and winter headquarters stations of yearlong employees, including dwellings, barns, fences, etc. Representative expenses: (a) General Overhead elements, (b) Maintenance expenditures on this class of improvements, (c) Minor betterment expenditures, (d) Maintenance of station grounds, such as care of lawns, trees and shrubs, landscaping and grading of a maintenance character rather than original development which should be charged to No. 22—Headquarters Improvement.

Expense incident to maintenance of temporary stations, including look-out stations, will be charged to Maintenance Other Improvements. Maintenance of improvements constructed at a

headquarters station primarily for storage of road equipment will be charged to Maintenance Other Improvements.

19.1 Maintenance Other Improvements.

Includes expenses incident to maintenance of all other national forest improvements not included in the foregoing classes (except storage houses for road equipment) such as improvements at temporary stations, look-out stations, telephone lines, fire breaks of a permanent nature, scaler's cabins, range and public service improvements. Representative expenses: (a) General Overhead elements, (b) Expenditures for repair and maintenance of such improvements.

Co-operative funds expended for maintenance of Reg. G-15 (b) range improvements to which title has not been acquired by the Government, will be charged to Activity No. 46—Other Co-operation.

19.2 Maintenance Other Improvements, R&T.

Includes expenses incident to maintenance of storage houses for road and trail equipment, stores and supplies (whether at headquarters stations or not) and other improvements maintained primarily for the benefit of roads and trails. Representative expenses: (a) General Overhead elements, (b) Expenditures for repairs and maintenance of such improvements.

(Note:—Expenditures in connection with the removal or destruction of abandoned improvements will be charged as maintenance to the appropriate maintenance account.)

INVESTMENT ACCOUNTS

20. Roads and Trails, Forest Development.

Includes expenditures incident to the construction of major development roads and truck trails embraced in the forest road development system and trails, ways, and stock driveways which are of primary importance for the protection, administration and utilization of the national forests. Representative expenditures: (a) General Overhead elements, (b) Construction expenditures for these roads, trails and ways, (c) Reconstruction and betterments of such improvements unless of such minor importance as to warrant treating as maintenance, (d) Construction or reconstruction of bridges on these improvements, (e) Original Cost and expense in connection with road and trail signs.

The cost of bridges amounting to \$1,000 or more in the case of roads and \$500 or more in the case of trails, while being considered a part of the road or trail on which located, should be ascertained separately for depreciation purposes and individual investment records maintained for each such bridge.

No charge will be made to this account which cannot be made

directly or by equitable proration to individual projects or, when so directed by the Supervisor, to a group "Miscellaneous Small Projects." Time and expense in connection with construction plans at allotment conferences, etc., should be charged either directly or by proration to programmed projects whenever practicable. If the amount involved is so small as to be considered inconsequential, such expense may be charged directly to the resource expense accounts affected or to No. 1—General Overhead.

Transportation Studies and Plans of the extent and character prescribed in the Engineering Instructions for transportation planning should be considered a project under this activity and included in the Road and Trail Annual Report opposite the title "Transportation Plan."

21. Roads, Forest Highways.

Includes expenditures incident to the construction of roads embraced in the Forest Highway System, which consist of roads of primary importance to the State, counties, or communities within, adjoining, or adjacent to the National Forests. Representative expenditures: (a) General Overhead elements, (b) All construction costs on this class of roads.

This work is done almost entirely by the Bureau of Public Roads. The expenditures reported here will cover all those reported by that Bureau to the Forest Service, including all equipment and administration charges, whether such are distributed to individual projects or not. These expenditures of the Bureau will be taken up in the regional office as a regional charge to this account.

Contributed time and incidental expenses incurred by the Forest should be treated as a Regional charge and transferred to that office at the close of the fiscal year. In cases where Highway funds are actually allotted to forests and the construction work is accomplished by the Forest Service instead of the Bureau, (as is common in Region 7) the "Project Suballotment and Expenditure Records" and "Investment Records" will be maintained by the Forest.

22. Headquarters Improvements.

Includes expenditures incident to the construction of permanent improvements at both summer and winter headquarters stations of yearlong employees, including dwellings, barns, fences, etc. Representative expenditures: (a) General Overhead elements, (b) Construction expenditures for this class of improvements, (c) Reconstruction and betterment expenditures, unless of such minor importance as to warrant treating as maintenance.

Expenditures incident to construction of temporary stations, including look-out stations, will be charged to Other Improve-

ments. Improvements constructed at a headquarters station primarily for storage of road equipment will be charged to Other Improvements.

No charges will be made to this account which cannot be made directly or by proration to individual projects or when so directed by the Forest Supervisor, to a group, "Miscellaneous Small Projects." General plans will be charged to General Overhead when they cannot practicably be charged to projects.

23.1 Other Improvements.

Includes expenditures incident to construction of improvements other than the foregoing (except road and trail sheds) such as range, public service, improvements at temporary stations and look-out stations, telephone lines, fire breaks of a permanent nature, scaler's cabins, storage houses for planting equipment and projects not otherwise classified, such as larkspur, eradication, rodent control, range reseeding, etc. Representative expenditures: (a) General Overhead elements, (b) Expenditures for construction or completion of such improvements and projects, (c) Reconstruction and betterment, unless of such minor importance as to warrant charging to appropriate maintenance accounts.

No charges will be made to this account that cannot be made directly or by proration to individual projects or when so directed by the Forest Supervisor, to a group, "Miscellaneous Small Projects." General plans will be charged to General Overhead if for general application or to specific activities when pertaining to definite resource activities.

23.2 Other Improvements, R&T.

Includes expenditures incident to construction of storage sheds for road and trail equipment, stores and supplies (whether at headquarters stations or not) and other improvements primarily for the benefit of roads and trails. Representative expenditures: (a) General Overhead elements, (b) Construction expenditures for this class of improvements, (c) Reconstruction and Betterment expenditures unless of such minor importance as to warrant treating as maintenance.

24. Acquisition, Exchange or Gift.

Includes expenditures incident to acquirement of land for national forest purposes through exchange of land for land, timber for land, or by gift or proclamation. Representative expenditures: (a) General Overhead elements, (b) Location, examination, appraisal, survey and reporting on lands to be exchanged or acquired whether exchange or acquirement actually accomplished or not and (c) Supervision of Timber right cutting.

In the case of exchange of timber for land, usual timber sale

administration expense pertaining to disposal of timber will be charged to Timber Sales. In case of exchange of land on one forest for land on another forest, or timber on one forest for land in another forest, the expenditures incident to making such exchange will be transferred, at the end of the fiscal period to the forest acquiring the land.

25. Acquisition, Purchase.

Includes expenditures incident to acquirement of land for national forest purposes by direct purchase, including purchase price and fees pertaining thereto paid by the Forest Service. Representative expenditures: (a) General Overhead elements, (b) Location, examination, appraisal and survey of lands which the Service acquires or seeks to acquire, whether acquirement is actually accomplished or not, and (c) Supervision of timber-right cuttings.

26.1 Reforestation, Field Planting and Seeding.

Includes expenditures incident to field seeding and field planting for "stand establishment" on the National Forests. Representative expenditures: (a) General Overhead elements, (b) Expenditures for field seeding and field planting on all areas where the prime objective of the work is reforestation of the areas, (c) Examination of areas for prospective planting, (d) Reforestation work in connection with "Sale Area Betterment" as defined in act of June 9, 1930 (46 Stat. 527).

Expenditures for experimental planting where the work is in the nature of a "test" or research for advancement of reforestation knowledge, will be charged to Activity No. 26.2 Reforestation, Other.

Expenditures for collection of seed for subsequent use by nurseries or other units should be charged to Activity No. 37.1 —Stores.

Minor work in connection with reports on seed crops, seed collection, etc., should be charged to No. 1 General Overhead. Extraction plants and their maintenance will be charged to construction and/or maintenance of Other Improvements.

26.2 Reforestation, Other.

Includes expenditures incident to experimental plantings and examination and reports on planted areas. Representative expenditures: (a) General Overhead Elements. (b) All expenditures for experimental plantings of a "test" or research nature, (c) Survival counts and annual planting reports on all planted areas, (d) Special rodent control and other protection measures applied to reforestation projects.

27. Nurseries.

Includes expenditures for the operation and maintenance of nurseries. Representative expenditures: (a) General Overhead elements, (b) Expenditures for labor, supplies and materials used in nursery tree production or general work of the nursery.

The costs incident to construction or purchase of Nursery Improvements, Equipment, Stores, etc., will be charged to the appropriate investment accounts. Nurseries, whether located on forests or not will be treated as separate units of organization and reported separately from forest expenditures.

28. Timber Surveys and Plans.

Includes expenditures incident to making estimates and preparing maps of national forest timber resources and making forest management plans for the timber resource. Representative expenditures: (a) General Overhead elements, (b) Estimating, mapping and appraisal for sales to run approximately two years or more, (c) Estimating mapping, growth studies, etc., in connection with preparation of management plans, (d) Studies of cutover areas for management plan purposes.

29. Grazing Surveys and Plans.

Includes expenditures incident to range reconnaissance and range management plans for the national forest grazing resource. Representative expenditures: (a) General Overhead elements, (b) Expenditures for range reconnaissance and plans, (c) Studies of forage growth for plan purposes when conducted on project scale.

Unit allotment plans unless undertaken on such a large scale as to materially affect current costs, will be charged to the appropriate grazing expense accounts.

30. Fish and Game Survey and Plans.

Includes expenditures for fish and game surveys and plans on the national forests when on such a scale as to warrant charging as an investment rather than as an expense. Representative expenditures: (a) General Overhead elements, (b) Survey and preparation of plans on project scale.

31. Recreation Surveys and Plans.

Includes expenditures for general surveys and plans for national forest recreation resource when on such a scale as to warrant charging as an investment rather than as an expense. Representative expenditures: (a) General Overhead elements, (b) General recreation surveys and plans, (c) Extensive surveys of summer home sites in advance of issuance of permits.

Surveys of summer home sites should not be charged here

when the sites will largely be taken up during the current fiscal period, or when the cost is so small as to not warrant carrying the charges as an investment.

32.1 General Surveys and Maps.

Includes expenditures for general surveys for national forest map-making purposes rather than for any particular resource. Representative expenditures: (a) General Overhead elements, (b) Expenditures in connection with collecting data and making base maps of forests, conducted on project scale, the benefits from which will last over a period of years and benefit all activities, (c) Boundary posting and relocation when on a project scale, (d) Land status work of a project nature.

Minor expenditures of a recurrent nature in connection with revision of forest base maps and boundary surveys and recurrent boundary posting of an incidental character should not be charged here but to General Overhead.

32.2 Other Investments.

Includes expenditures for investments of a miscellaneous nature for which no specific investment account is carried. Representative expenditures: (a) General Overhead elements, (b) Expenditures of an investment nature in connection with General Plans of Regional or Service-wide scope, (c) Expenditures for special or investigative work such as Radio Studies, etc., which it is desired shall be treated as temporary investments or deferred charges, (d) Miscellaneous Investments not otherwise specified.

This account should be kept by classes of work or in sufficient detail to permit of proper allocation of costs in subsequent periods.

“Transportation Plans,” of the extent and character prescribed in the Engineering instructions, should not be charged here. Such plans will be treated as an investment project under the proper road account.

33. Timber Stand Improvement.

Includes expenditures in connection with Timber Stand Improvement on National Forests when stand improvement is the prime objective. Also stand improvement incident to timber sales when it is practicable to separate the costs from such operations (excepting co-operative brush disposal properly chargeable to account No. 45 Timber Disposal Co-operation).

Representative expenditures: (a) General Overhead elements, (b) Free administrative use when on a large scale. (c) Thinnings, not disposed of by sale, (d) Stand improvement in connection with “Sale Area Betterment” as defined in act of June 9, 1930. (46 Stat. 527).

34. Road and Trail Equipment.

Includes expenditures for semi-expendable and non-expendable equipment purchased or manufactured for the maintenance and construction of forest roads, trails and ways. Representative expenditures: (a) Expenditures for purchase price or manufacturing cost and delivery including assembly, costs for semi-expendable and non-expendable equipment; service animals and motor vehicles.

With the exception of the cost of certain repairs on "Large" road and trail equipment, which may be charged to equipment as a temporary investment under special instructions, no charge will be made to this account for repair, maintenance, checking or storing road and trail tools or equipment. Such expense should be charged to the Activity and Project on which the equipment is used.

Individual pieces of equipment designated "Large," should be so indicated in order that separate investment records may be set up for each piece and classed as "Road and Trail Equipment, Large." Equipment designated "Small" will be carried in the investment records under the group title "Road and Trail Equipment, Small."

Equipment purchased by the Bureau of Public Roads for its own projects should not be included.

35. Fire Equipment.

Includes expenditures for semi-expendable and non-expendable equipment secured for fire prevention, presuppression, fire suppression and fire co-operation, which becomes the property of the government. Representative expenditures: (a) Purchase or manufacturing cost and delivery, including assembly costs of semi-expendable and non-expendable equipment, service animals and motor vehicles.

Do not charge this account with the cost of repairs, maintenance, checking or storing of Fire Equipment. Such expense should be charged to No. 40—Fire Suppression if incidental to suppression, or to No. 39—Presuppression if the equipment is not in use.

Individual pieces of equipment costing \$100.00 or more should be so indicated in order that separate investment records may be set up for each piece and classed as "Fire Equipment, Large." Equipment costing less than \$100.00 will be carried in the investment records under the group title "Fire Equipment, Small."

36. General Equipment.

Includes expenditures for semi-expendable and non-expendable equipment for all activities for which a separate equipment

account is not carried. Representative expenditures: (a) Purchase or manufacturing costs and delivery, including assembly costs of semi-expendable and non-expendable equipment; service animals and motor vehicles; non-expendable library books, etc.

Do not charge this account with cost of repairs, maintenance, checking or storing general equipment and tools. Such expense should be charged to the activities upon which the equipment is in use or, if not in use, to No. 1—General Overhead. (See No. 1 (f.)).

Individual pieces of equipment costing \$100.00 or more should be so indicated in order that separate investment records may be set up for each piece and classed as "General Equipment, Large." Equipment costing less than \$100.00 will be carried in the investment records under the group title "General Equipment, Small."

37.1 Stores.

Includes expenditures for purchase or production of miscellaneous supplies, equipment and stores for subsequent use or issue to requisitioning units, except stores paid for from R&T funds. (See Activity No. 37.2). Representative expenditures: (a) Expenditures for purchase, manufacture and procurement of all supplies, materials, products or equipment for subsequent use or issue, (b) Expenditures for labor, rent, and other overhead items incident to conducting warehouse facilities, and services rendered by the purchasing unit. The expenditures in this group should be equitably prorated over the Stores on hand in order that they will be included in the cost of Stores issued. Forest expenditures for collection of seed for use in subsequent fiscal years or seed collected for nurseries or other units, should be charged to this activity. If both collection and use will occur in the current fiscal year the charge may be handled through Activity No. 49—Suspense.

This account is primarily for use of Central Purchase and other units maintaining an organization for purchasing and having warehouse facilities. No current charges will ordinarily be made to the cost accounts by these units, but periodically the value of supplies or equipment issued will be credited to the Stores account and corresponding charges made to the units or activities and project involved.

The stores account differs from No. 49—"Supplies and Other Suspense" in that the latter is purely a suspense account for current use and must be cleared at the end of the fiscal year; whereas, the balance remaining in the Stores account at the end of the fiscal year is treated as an investment or deferred charge.

37.2 Stores, R&T.

Includes expenditures from Road and Trail funds for pur-

chase or production of miscellaneous supplies, equipment and stores for subsequent use or issue. Representative expenditures: (a) Expenditures from Road and Trail funds for purchase, manufacture and procurement of all supplies, materials or products for subsequent use or issue, (b) Expenditures for labor, rent, and other overhead items incident to conducting warehouse facilities, and services rendered by the purchasing unit. The expenditures in group (b) should be equitably prorated over the Stores on hand in order that they will be included in the cost of Stores issued.

Materials and supplies purchased from Road and Trail funds and charged to No. 49—Suspense, which cannot be allocated to projects at the close of the fiscal year, should be transferred to this account as "Stores, R&T," the project record, Form 19-h, showing the appropriation from which paid in order that the expenditures may be reported under the proper fund on the Road and Trail Annual Report.

PROTECTION ACCOUNTS

38. Fire Prevention.

Includes expenditures for all educational, publicity, admonitory, and danger reduction work primarily directed toward preventing the occurrence of fires in the national forests. Representative expenditures: (a) General Overhead elements, (b) Posting signs, registering visitors during the fire season, enforcement of closed area restrictions, issuance of camp fire permits, lectures and exhibits on fire subjects when for benefit of national forests, patrol for the purpose of cautioning campers and recreationists, preparation and distribution of circular letters on fire, investigation of origin of fires, fire law, enforcement and damage appraisal work for that purpose, planning and organization of any of the foregoing activities, (c) Reduction of fire danger by disposal of inflammable debris, snags, etc., not chargeable to a specific activity. (Cost of disposal of debris in connection with going timber sales, free use, improvement work, or other recognized activities will be charged to the activity concerned, (d) Expenditures for control lines around camp grounds, not made in connection with fire suppression.

When patrolmen, guards, or others hired primarily for fire prevention engage in actual improvement or other work while fulfilling their duties on fire prevention, the time so spent will be charged to the specific activities concerned and not to fire prevention. Travel by rangers or others over a grazing unit where an actual range inspection is made in conjunction with fire prevention should be charged to the appropriate grazing activity. Patrolmen engaged in either fire prevention or pre-suppression work who work in a dual capacity on both of the

activities in such a way that a practical division cannot be made for charging time, may charge such time to fire prevention at the direction of the forest supervisor, and the division will be made later as hereinafter instructed.

Do not charge travel time on other recognized activities to fire prevention. If such travel time is increased by a detour made for the specific purpose of preventing the start of fire, charge to fire prevention only the additional travel time required on account of the detour.

For this activity it will be necessary to carry expansion accounts for such items as are specifically required in the preparation of "Sheet A" of the Annual Fire Report.

39. Presuppression.

Includes expenditures incident to the organization designed to provide for effective work by guards, co-operators, and other agencies depended upon for fire suppression on the national forests, up to the point where action starts to suppress an actual or reported fire. Representative expenditures: (a) General Overhead elements, (b) Instruction, management, maintenance, detection and inspection, (c) Emergency rations, (d) Presuppression plan work and general fire maps, including fire statistics, (e) Meteorological observations in connection with fire control.

The time of guards or others who are primarily employed for presuppression work or held at headquarters because of the severity of the fire season, will be charged to this activity except when they are actually engaged on improvement or other work, in which case such time will be charged to the latter activities. Time of emergency guards will be charged to fire prevention, presuppression, or suppression exactly the same as is done with regular guards. Travel by rangers or others over a grazing unit where an actual range inspection is made in conjunction with presuppression will be charged to the appropriate grazing activity.

Do not charge travel time on other recognized activities to presuppression. If such travel time is increased by a detour made for specific presuppression reasons charge to presuppression only the additional travel time required on account of detour.

For this activity it will be necessary to carry expansion accounts for such items as are specifically required in the preparation of "Sheet A" of the Annual Fire Report.

40. Fire Suppression.

Includes expenditures incurred for the purpose of suppressing fires on the national forests, or on lands endangering national forest lands. Representative expenditures: (a) General Overhead elements, (b) Actual fire fighting expenditures, (c) Expen-

ditures in connection with fires on which work was not necessary, and fire not found (false alarms), (d) Individual fire reports, and damage appraisal work necessary for preparation of such reports, (e) Reconditioning fire tools and equipment after use on fire suppression work.

41. Insect Control and Other Timber Protection.

Includes expenditures incident to protection of national forest timber from insects, tree diseases, rodents, etc. Representative expenditures: (a) General Overhead elements, (b) Expenditures for extermination and control of tree-destroying insects, tree diseases, rodents and other destructive agencies of timber other than fire and trespass.

CO-OPERATION AND MISCELLANEOUS

42. Fire Co-operation.

Includes expenditures for prevention, presuppression and fire suppression on lands other than national forest lands when paid for by other agencies, and from Special Funds appropriated for this purpose and on national forest lands, when such expenditures are paid from co-operative funds or when the costs are otherwise borne by the agencies and fire control expenditures from Forest Service appropriations when such expenditures are of a co-operative nature and national forest timber is not endangered. Representative expenditures: (a) General Overhead elements, (b) Co-operation with states under Clarke-McNary Act with reference to fire protection, (c) Protection of private lands within and adjacent to national forests, the costs of which are borne by co-operators by making deposit of co-operative funds for disbursement by the Forest Service or by setting up of funds by cities, counties, and other agencies against which expenditures incurred by the Service may be billed, (d) Repayments made to the Forest Service appropriations on account of protection extended to private and National Forest lands, the appropriate Service activity to be decreased accordingly, (e) Expenditures in protection of Oregon and California railway lands, until such time as such may come under the administration and utilization of the Forest Service, (f) Time and expenses of Forest Service employees in connection with suppression on other than National Forest lands, not considered as endangering National Forest lands as indicated by the individual fire reports. Any expenditures of this nature which may have been charged to Activity No. 40 during the current period will be treated as Service co-operation with outside agencies and transferred from Activity No. 40—Fire Suppression, to this account at the close of the Fiscal Year.

Gratuitous co-operation received from settlers, ranchers,

tourists, etc., for protection of national forest lands will not be included.

It will usually be impracticable to charge currently to this account expenditures from co-operative funds for protection of private lands within the national forests. Therefore fire control charges for Prevention, Presuppression and Suppression, even though paid from co-operative funds, will be currently charged to the regular Service activities numbered 38, 39 and 40, but an amount equal to the deposits for such work during the fiscal period will be taken up under this account (Activity 42) at the end of the period and the appropriate forest protection accounts decreased accordingly. (See adjustments under "Closing the Activity Expenditure Record Forests.")

43. Reforestation Co-operation.

Includes expenditures incident to planting on other than national forests lands. Representative expenditures: (a) General Overhead elements, (b) Co-operation with state under Clarke-McNary Act in furnishing trees and seed for planting, (c) Co-operation with ranchers, settlers, cities, etc., in planting other than national forests lands.

44. Forestry Extension Co-operation.

Includes Forest Service expenditures incident to developing forestry practice and support of such practice by private concerns and the public on other than national forest lands, which cannot more properly be charged to Fire Co-operation and Reforestation Co-operation. Representative expenditures: (a) General Overhead elements, (b) County fair and special exhibit work, (c) Public lectures and other general publicity work. (d) Taxation inquiry work, the purpose of which is to assemble scientific data on which to base equitable tax laws applicable to privately owned timberlands, (e) Insect infestation work on other than National Forest lands, unless the object of the work is to prevent the spread of infestation to national forest timber, in which case the charge would be to Activity No. 41—Insect Control and Other Timber Protection.

Taxation Inquiry expenditures made under the formal direction of the Tax Inquiry unit of the Branch of Research will be treated as a separate unit and reported separately from forest expenditures.

45. Timber Disposal Co-operation.

Includes expenditures incident to disposal of brush or performance of other work by the Forest Service for purchasers of timber on forest or private lands which is paid for by the operator by deposits made in the co-operative fund. Representative expenditures: (a) General Overhead elements, (b) Expendi-

tures for supplies and labor incident to disposal of brush, girdling trees, cutting snags, special scaling, etc., in timber sales on forest or private lands paid for from funds deposited by the operator.

Only such supervision as the operator should be required to pay for should be included.

46. Other Co-operation.

Includes expenditures incident to co-operation with outside interests and other Governmental Bureaus, on activities for which no specific co-operation account is carried and not primarily of benefit to or producing benefits from national forest resources. Representative expenditures: (a) General Overhead elements, (b) Co-operation with other bureaus and agencies in performance of work for which they are responsible and in which the benefits accrue to such agencies or to the public generally and are not derived from the national forest resources, (c) Range management on outside lands, (d) Maintenance of Reg. G-15(b) improvements to which the Government has not acquired title, when paid for from co-operative funds.

47. Research, Silviculture and Products

Includes expenditures incident to silvicultural and products research. Representative expenditures: (a) General Overhead elements, (b) Expenditures for silvicultural and products research work on the national forests when for general national forest or other use and not for specific plan purposes, (c) Expenditures in connection with projects conducted by the Branch of Research through the Regional Office, experiment stations and the Forest Products Laboratory both on and independently of the national forests.

Experiment stations, Regional Office Research Units, and the Forest Products Laboratory are to be treated as separate units of organization, and as such will use the activities pertaining to maintenance and construction of improvements and the General Equipment account. Experiment stations doing direct work for a forest, as fire fighting, will transfer such expenditures, when paid for out of station funds, to the forest benefited at the end of the fiscal period.

Local investigative work conducted primarily for the benefit of the Forest should be charged to the appropriate accounts No. 2 or No. 3.

48. Research, Range.

Includes expenditures incident to range research. Representative expenditures: (a) General Overhead elements, (b) Expenditures for range research work on the national forests when for general national forest or other use and not for specific

plan purposes, (c) Expenditures in connection with projects conducted by experiment stations and Regional Office research units, both on and independently of the national forests, such as quadrat and fenced enclosure work under the formal direction of the Research branch.

Experiment stations and Regional Office Research Units are to be treated as separate units of organization and as such will use the activities pertaining to maintenance and construction of improvements and the General Equipment account. Experiment stations doing direct work for a forest, such as fire fighting, etc., when the work is paid for out of station funds, will transfer such expenditures to the forest benefited at the end of the fiscal period by means of Journal Voucher.

Local investigative work primarily for the benefit of the Forest should be charged to the appropriate account No. 5 or No. 6.

SUSPENSE ACTIVITIES

The two following activities or accounts are for the purpose of completing the activity expenditure records for balancing purposes until such time as their contents may be distributed to the regular activity accounts.

49. Supplies and Other, Suspense.

Includes expenditures for supplies, equipment and provisions, and freight and handling charges incident to distribution thereof, and maintenance and upkeep of pack stock, teams, and motor vehicles, which cannot be allocated to the proper activities or units at the time the expenses are incurred. Usually cost of upkeep of such equipment may be charged direct to activity or project benefited.

Maintenance and upkeep of pack stock, teams, and motor vehicles will be taken care of here only when such equipment is used on activities to which the distribution cannot be made currently. Maintenance and upkeep of pack stock, teams, and motor vehicles used quite generally on all activities will be charged to General Overhead.

Time should be charged to this account on Service Reports only when the Forest Supervisor directs that it be included as an account on Form 26 for the purpose of carrying charges for repair of machinery or in connection with some work for which the charge cannot be allocated to the activities or project until some later date.

This account should be cleared at the end of the fiscal year.

50. Salaries and Wages, Suspense.

Includes expenditures for salaries and wages of all regular and temporary employees who submit service reports as a means

of distributing their time to activities. Salaries or wages distributed currently to activities on the expenditure records should not be included.

EXPANSION ACCOUNTS

The list of accounts which has previously been given represents those that must be kept uniformly by the Service as a whole for activity expenditure records. They are the minimum considered necessary for adequately covering the general activity expenditures of the Service and for laying the foundation for cost and investment records.

The only expansion required by the system is that construction expenditures be recorded by projects and maintenance expenditures by classes. No expenditures should be charged to construction accounts that cannot be charged to individual projects or to a group account "Miscellaneous Small Projects" when such grouping has been authorized. The expansion classes for maintenance should correspond to the classification provided for improvements on the Investment Statement, Form 43-d.

These accounts are however, often lacking in details needed for administrative use locally, and they may, therefore, be expanded or divided as need for more detailed information may arise. Such expansion will usually be at the discretion of the Regional Forester or Forest Supervisor. No prescribed accounts have been set up for such expansion or detailed accounts, it being left to the officer seeking the information to name and define them, but the scope of such accounts must of course not transgress beyond the scope of the general activity account of which they are divisions. In the definitions of required activities the kinds of work included will often suggest the names for detailed accounts and may be used when they cover the items for which costs are desired.

The use of expansion accounts is quite flexible, it not being necessary to divide a required activity into several detailed accounts when information is wanted or can be used on only one or two items. For example, it may be desirable to divide account "No 2—Timber Sales" in "2.1—Commercial Sales," "2.2—Sales at Cost" (S-22) and "2.3—Administrative Use and Timber Settlement." Likewise expenditures on one or two ranger districts may be ascertained without applying the expansion to all districts. When expenditures on only one or two cost elements of a required activity are desired, the remaining elements of cost pertaining to that activity may be carried under the name of the major activity account or some other selected heading. The meaning of the expansion accounts, will of course be defined and understood locally. Since considerable work is attached to recording and compiling accounting data, expansion accounts

should be restricted to those that can be used to advantage, and when information sought has served its purpose the corresponding accounts will be discontinued.

DISTRIBUTION OF TIME

Unit for Charging Time

The distribution of time will ordinarily be made in hour periods for time actually worked, the sum of the distribution equaling in all cases the total hours work for the day. At the discretion of the Regional Forester or Forest Supervisor half-hour or tenth-hour units may be employed by all employees or designated employees whose time can not otherwise be distributed sufficiently accurate on an hourly basis. In the case of protection guards the minimum unit of time in making distribution may be one-half day when specifically authorized by the Regional Forester.

Monthly Service Report

All the time devoted to official work will be accounted for on Form 26, including official work on Sundays or holidays or at night. Official work includes only the time an employee gives to his official job and should never include such personal duties as cooking, milking, chores, splitting wood at headquarters station (unless put on a job basis and approved by the Supervisor, or unless done by guards or assistant rangers for whom there is no other necessary work at the time), washing clothes, and preparation and care of gardens or fields producing hay for animals not in official use.

Time spent at home on study courses will not be considered as part of the official day unless specifically authorized in the Regional Policy or directed by the Regional Forester.

Ordinarily the official work day of field going Officers will start when the officer is ready to leave his headquarters or temporary stopping place. The following governing principles will be observed: (1) For horse trips—after horses have been wrangled, saddled and packed, (2) For motor trips—after servicing motor vehicles, and (3) For hiking trips—after preparation of equipment for back packs. When because of unusual circumstances more than thirty minutes are required for these steps, the additional time should be treated as part of the official day and charged to activities involved in the day's work.

On days when no official work is performed, enter an "X" opposite the word "Totals" near the bottom of the form, and if on annual, sick, or leave without pay, proper entry should be made for the time opposite the appropriate caption at the bottom of the form. By this method the actual working time will be shown and days upon which no work is performed will be omit-

ted automatically. Compensatory time taken should also be shown in the space provided.

Opposite the caption "Time in Field" there should be included all time on official work spent away from the headquarters or headquarters town of the officer reporting exclusive of time spent in procuring personal supplies or incident to the maintenance of self and personal equipment.

In distributing time on the face of Form 26, employees must adhere strictly to the standard activity captions which are printed on the form except that "Supplies and Other—Suspense" may be added when so directed by the Supervisor. Office and field time should be shown separately, the latter designated by a small "f." On the reverse of the form space is provided for distribution of time by projects and detailed expansion accounts, as may be required, but such time should be included on the face of the form also under the appropriate accounts. The time will not be reduced to a money value by the employee submitting the report. If activity expenditures are being kept by ranger district and work is performed by members of the supervisor's office for which a ranger is responsible, the necessary information will be summarized on the reverse side by writing in the names of the activities involved and inserting under same, one to a line, the names of the ranger district involved and the time charged.

All employees assigned to national forests, regional office and others as may be directed by the regional forester will submit service reports monthly. Protection guards whose entire time is given over very largely to one activity may be excepted, provided that an adequate report is made of their time on Form 874-15 or other appropriate form which reports should be treated as service reports in distributing time unless the value of such time is charged to activities currently on the activity expenditure record. It may be considered desirable in some regions to also exclude administrative guards under certain circumstances, which may be done if an appropriate time report form is employed requiring less time to prepare than Form 26.

Members of the regular personnel are required to prepare their own Form 26, except in emergencies or under conditions making it impracticable for them to do so. Also the monthly service reports of administrative and protection guards should ordinarily be prepared by them personally. However, in cases where it would appear to expedite matters or provide a more accurate and uniform distribution of time for the ranger to prepare the Form 26 for short term men, such procedure may be followed. Service reports of employees whose time is charged currently into projects or activities should be filed but not used in distributing "Salaries, Suspense."

All employees required to keep diaries will make daily dis-

tribution of their time at the end of each day and post therefrom at the end of the month to the monthly service report. Those not required to keep diaries should distribute their time at the close of each day directly to the service report or other appropriate form for later posting to the monthly service report.

All travel time, including "job to job" trips, should be charged in so far as practicable to the activity benefited. When travel is performed for a specific project or activity and the work can not be accomplished upon arrival, the time should be charged to the activity for which the travel was performed. Unexpected deviation to incidental activities will be charged with the proper share of the travel time. Travel time for a field trip involving a number of activities should be charged to the activities benefited in approximately the same ratio as the time spent on each activity.

Each yearlong officer doing field duty should have a copy of the latest revision of Form 874-29 inserted in his diary. This form contains a complete list of the required expenditure activities, with definitions in full and is designed to assist rangers and others in making correct time distribution.

When patrolmen performing the dual duties of fire prevention and presuppression are permitted to charge their time to fire prevention as outlined under the activity definition of fire prevention, the division of these charges on the service report or Form 874-15 will be made in the supervisor's office as follows: The supervisor will determine at the beginning of each season the per cent of the charges to be made to fire prevention and presuppression for each patrolman whose duties combine these two activities. Before the service reports for these patrolmen are posted to summary Forms 34a, or charges made direct to activities from Form 874-15, these per cents will be applied to total charge to fire prevention to obtain the charges to fire prevention and presuppression. The travel expenses of these patrolmen will be divided in the same manner. This procedure is not to be applied to other activities on which these patrolmen work. That is, their time and expenses will be distributed to all other activities than fire prevention and presuppression in the regular manner.

In the case of a considerable amount of time being spent incident to maintenance of Government equipment, such as annual inventories and preparation of annual property returns, the Supervisor may direct that the charge be divided between No. 1 General Overhead and No. 39—Presuppression, the charge to presuppression being based on the approximate amount of time spent in connection with fire equipment.

In order that the monthly service report may be readily prepared, diaries must contain sufficient information to indicate the proper distribution of time, such as time of entry on duty, time of

leaving headquarters, time of arrival at any project or activity and time of leaving same, as well as time of arrival at station on return. A summary of the projects and activities, with the time spent on each, will be noted at the bottom of the page for the day using in the case of activities the numbers only, if desired.

The diaries of field officers and others required to keep diaries will be checked periodically by the supervisor, forest clerk or other qualified assistant designated by the supervisor, in order to make certain that the time of forest officers is being properly distributed and for various administrative reasons. Officers will be informed respecting errors in distribution on their part. The diaries will be initialed and dated by the reviewing officer.

In the use of the monthly service report in the regional office to cover salaries recorded as regional office disbursements, the face of the form will show distribution by dates and activities in the regular way. The reduction of time to money will be made in the regional fiscal agent's office. The reverse side will be used as a summary by writing the numbers and titles of activities involved, and inserting under same, one to a line, the names of the forests or other units and hours worked. If the forest on which work was performed is keeping activity expenditures by ranger districts and work was performed for which the ranger is responsible, the ranger districts involved should also be shown under each forest. The forests on which such employees work should advise them if any special activities or expansion accounts are to be kept. Time on construction and other projects should be summarized on the reverse side of the form. When regional office salary disbursements are charged to the forests currently, service reports covering such disbursements will be submitted to the forests concerned. Form 79-a covering such salary payments should indicate whether it should be charged, "Salary, Suspense" or direct to activities affected.

DISTRIBUTION OF TRAVELING EXPENSES

Traveling expenses for a field trip involving a single activity will be charged to the activity necessitating the trip. Traveling expenses for a field trip involving a number of activities should be charged to the activities benefited in approximately the same ratio as the time spent on each activity. Subsistence and lodging for each day will be charged to the activities worked on during the day in question when practicable; also as much of the transportation costs as possible will be similarly charged.

If the work handled on a trip is varied or general in character so that direct distribution of each day's subsistence and lodging expenditures to that day's work is impracticable, the distribution may be spread over the entire period of the trip on approximate-

ly the basis of the time spent on each activity during the trip. The hire of special conveyances while on a general trip for the purpose of making a side trip relating to a specific activity or activities will be charged directly to the activity or activities concerned. All other charges for transportation pertaining to the trip as a whole will be distributed approximately to the activities worked upon during the trip.

Traveling expenses of patrolmen, performing the dual duties of fire prevention and presuppression, will be charged in the manner outlined under "Distribution of Time."

The distribution of traveling expenses for auto mileage and hire of special conveyances will be made by the officer submitting the account. Subsistence expense will ordinarily be distributed to activities by the officer submitting the account but when this is impracticable the distribution will be made by the Forest Clerk on the basis of time worked as shown by diaries or service reports submitted. Field officers will invariably designate the activity for all other items included in expense accounts.

DETAILS

Details Within Region

When an employee whose salary is paid by one forest or unit is detailed to perform work on another forest, unit or in the regional office in the same region he will prepare two service reports; (1) one for the unit on which regularly employed which will account for the entire month and (2) one for the unit to which detailed for that part of the month covered by the detail. Both service reports will be forwarded to the Supervisor or officer in charge of the unit to which the employee is regularly assigned. In posting to Form 34-A the time by activities contributed to other forests or units will be omitted and at the end of the year the value of such time will be deducted from the total salary paid the employee before distribution is made to activities on Form 34-A. The service report for the detail will be forwarded promptly to the unit chargeable after the value of time on detail has been determined and recorded. This value should be computed on the basis of days and fractional parts of days (not on an hourly basis) as determined from the salary table. Usually leave taken during the detail will be borne by the forest to which regularly assigned, but the forest to which detailed will be assessed with Sundays and holidays occurring during the period of detail as well as travel time going and returning.

Each supplemental service report will show the name of the forest concerned and the distribution of contributed time by activities. The detailing unit will enter the value of contributed time for the period of the detail in the salary space for each forest or unit involved and forward the reports to the other forests

or units concerned as soon as possible after the end of the month or termination of the detail. At the close of the fiscal year it should be determined that all such reports have been or are forwarded to other units concerned by July 15. Care should be exercised to see that the total salary entered on all service reports for the several units equals the salary paid the employee for the month.

Details Between Regions

The procedure is the same when the forests involved are in different regions, except that the reports will be transmitted to the regional fiscal agent who will, after making a record of them transmit them to the regional fiscal agent of the other region, who will in turn transmit them to the forest concerned after making a record of them.

The regional fiscal agent will keep a memorandum record of all inter-regional details showing amounts by names of employees, unit and region from which detailed, and unit and region to which detailed. Immediately after the close of the fiscal year each region will see that its inter-regional detail record is complete and if involved in any, will prepare a statement giving the above information and forward a copy to each region concerned. Each region will check its own record against the statements of other regions and if necessary take steps to adjust any discrepancies. This statement should be prepared so as to reach the headquarters of the region concerned by not later than July 20, and earlier if possible, so as to allow time for adjustment of discrepancies and such adjustments being passed on to the forests involved in time for including in their annual expenditure statement. Unless considerable care is exercised in handling inter-regional details, it may result in the activity expenditure statements being out of balance with the regional financial statements. If the reporting of inter-regional details is unduly delayed, the detailing forest and region should absorb the expenditures in their own statements unless the amount is great enough to warrant the many corrections that would likely ensue in the other regions' activity statements.

Reimbursement Accounts

Expenses other than salary, in connection with details, will ordinarily be paid by the forest or forests deriving the benefit, and the distribution to activities taken up in their records.

PAYMENTS FOR OTHER REGIONS

When one region makes payment for another (including the Washington office and Forest Products Laboratory), the region making the payment will transmit notice thereof on Form 79-ab to the region for which paid, together with any information nec-

essary to identify the transaction for the purpose of distributing the expenditure to the activity expenditure records. When such payments affect a forest, Form 79-a and other information necessary for identification will be transmitted to the forest. In such cases Form 79-b will be retained in the regional office.

DISBURSEMENT OF FUNDS OF OTHER BUREAUS AND DEPARTMENTS

When funds of other bureaus and departments are transferred to the Forest Service for direct disbursement on Forest Service work, they will be included in the activity expenditure records. When co-operation consists only in making disbursements for such bureaus and there is no participation in the work by the Forest Service, the expenditures will not affect the activity expenditure records. The salaries of assistants to the Solicitor will be included in regional office activity expenditures.

DISBURSEMENT OF FOREST SERVICE FUNDS BY OTHER BUREAUS AND DEPARTMENTS

When Forest Service funds are transferred to other bureaus and departments for disbursement, such expenditures will be included in the activity expenditure records.

SUPPLY DEPOT AND PURCHASING UNITS

The Supply Depot will keep no activity expenditure records since the supplies distributed are taken up currently by forests and other units. Regional Purchasing Units will keep no activity expenditure records but will keep such records as will enable them to report as "Stores" on Form 43, Activity Expenditure Statements, the difference, plus or minus, between (a) purchases and handling costs, and (b) the issue value of distribution made.

POSTING AND RECORDING

Distribution

The distribution of activity expenditures will be made currently on activity expenditure record sheets, Forms 19-h and 21-i and on such other sheets as are used in conjunction therewith for detailed or expansion accounts, as vouchers are submitted for payment, as Form 79-a are received from the Supply Depot, or as entry is made on the voucher register from "paid" Forms 79-a covering vouchers chargeable to the forest or unit, but not submitted by the unit. The activity expenditures recorded on Form 21-i will not be separated by appropriations. However, Form 19-h is designed to provide allotment control as well as activity cost expenditures. (See explanation of use of

19-h.) A notation of the activity distribution will be made on the file copy of the voucher for audit and checking purposes.

Salaries, including retirement deductions, and wages which are to be distributed on monthly service reports will be entered currently on the activity sheet, Form 21-i set up for the account No. 50—"Salaries and Wages Suspense" as pay roll vouchers are submitted for payment. Deductions on account of commissary will also be taken up under this account when the supplies are paid for and entered on the voucher register if affecting an employee who submits a service report covering salary distribution to activities, or charged direct to the proper activity if the employee's time is distributed direct currently to activities and not held in Suspense.

Likewise supplies and services other than personal which can not be distributed currently will be entered under account No. 49—"Supplies and Other, Suspense." If desired, this account may be subdivided into two or more accounts to facilitate later distribution. This account like "Salaries Suspense" must be entirely cleared at the end of the fiscal year.

Refunds to depositors on account of timber, grazing, etc., and refunds from the Co-operative Work Forest Service appropriation, should not be taken up on the activity expenditure record. Deposits made in the "Special Deposits" accounts such as deposits in connection with timber sale bids, deposits in land exchange cases, etc., should not be included when disbursed or refunded. Repayment items which result from previous overpayment are to be taken up as decreases in the activity expenditure records, but repayments to service appropriations to cover expenditures made for such activities as Presuppression and Fire Suppression which the Service performs for others are to be included under the activity Fire Co-operation. If the expenditure when made was charged to the Service fire activities, upon repayment those activities should be decreased by the amount of the repayment and the charge transferred to Fire Co-operation.

The activity expenditure record will be corrected, when necessary, to make it agree with adjustments on returned paid Forms 79-a.

Vouchers of Temporary Special Disbursing Agents will be taken up as other forest vouchers.

Forms 19-h and 21-i as Activity Expenditure Records

Form 19-h, Project Record, when necessary as an allotment and expenditure control record in the regular forest fund accounting should also be used in every instance practicable as a part of the expenditure and cost records and current posting omitted from sheets 21-i for the activities affected. This will avoid duplicate posting.

This use of Form 19-h as a part of the activity expenditure record will be facilitated if its use as an allotment and expenditure control record is correlated with the first named use. For instance, an allotment for maintenance of dwellings should not contain both permanent headquarters dwellings and dwellings at temporary stations since in the activity expenditure record the first named comes under "Maintenance Headquarters Improvements" and the last named under "Maintenance Other Improvements." Therefore, it should be the aim to have the allotment and expenditure control record on form 19-h set up by headings that will permit of ready summarization under the proper activity accounts.

Forms 19-h for projects should carry the complete record of expenditures and costs, including contributed time and expense, and distribution of General Overhead. This feature is mandatory where complete costs are necessary as in the case of the investment accounts. Each form should show definitely the appropriation and activity involved.

However, where allotment control only is desired and complete projects costs are not necessary, the contributed time and expenses and proration of General Overhead may be posted direct to an activity expenditure record sheet (Form 21-i) for the group class or activity as a whole rather than to individual projects of the group. When handled in this manner, the total of the charges on 19-h for the group or activity would be transferred at the end of the year to the activity expenditure sheet (form 21-i) which would then show the total charges for the activity.

Distribution of General Overhead should not be calculated and posted on Forms 19-h for individual fires but for "Fire Suppression" as a whole and posted direct to the activity expenditure record (Form 21-i) set up for that account.

When it is necessary to set up an allotment on a Form 19-h for allotment control purposes only but which covers more than one activity account and the allotment cannot practicably be divided so the Form 19-h will also serve as the activity distribution, the form set up for fund control should be considered a supplemental record and bear a notation in the space provided for activity title, "Not a part of Activity Expenditure Record," so that it will not be included in balancing the activity expenditure distribution with appropriation disbursements. All posting to supplemental records should also be distributed to the proper activities on Forms 21-i.

Forms 19-h used for project suballotment and activity expenditure records must show in the columns provided, charges for all semi-expendable and non-expendable equipment purchased from the suballotment so that the cost of the equipment may be deducted at the end of the year and posted under the proper

equipment account on the activity summary sheets (Form 21-i) and not included in the project expenditures. In the case of projects under "Co-operative Work, F. S.," refunds, if any, should also be noted or shown in a separate column on Form 19-h so that they may be readily deducted from the expenditures shown when summarizing and posting to sheets 21-i at the end of the year.

Form 21-i, Activity Expenditure Record, is to be used to record all those expenditures which are not recorded on project sheets Form 19-h. A separate sheet (Form 21-i) may be used for each activity or account, or the columns may be used for individual accounts.

Form 21-i may also be used for Activity Expansion accounts when such are desired.

Ranger District Expenditures

If the activity expenditures are maintained by ranger districts, a separate form 21-i should be used for each activity, on which the blank columns should be headed with the names or numbers of the ranger districts, using the last column for the total charges to the activity. A column should also be designated "Supervisor's Office" to take care of charges to the activity which cannot be charged directly to ranger districts or where it is desired to keep the Supervisor's office expenditures separate from those of the ranger district.

Nurseries

When nurseries are located on a national forest and their accounts are handled through the supervisor's office, nursery expenditures are to be kept separate from the forest expenditures. This may be done either by setting up a separate set of activity expenditure sheets or by treating the nursery as an activity, setting up a Form 19-h for Account No. 27—Nurseries, which will show the total allotment and the total disbursement of the nursery and serve as a control account for the detailed records kept by the nursery.

When activities other than nursery activities are engaged in or expenditures made on them out of nursery funds, such expenditures will be transferred to the forest expenditures either currently or at the end of the year.

The value of nursery stock transferred to the forest or other forests for planting will not, however, be transferred under the Activity Expenditure Record system, this being a feature that will be undertaken only in connection with Activity Costs and Investments procedure.

In the case of nursery stock issued to a State in a Region other than that in which the nursery is located, the transaction will be

handled as a payment for other regions. The fiscal agent of the region issuing the stock will treat it as a decrease in disbursements and the fiscal agent of the region receiving the stock will increase disbursements accordingly. Since a decrease in disbursements resulting from the transfer of an investment will result in additional expenditures from current appropriations, it will be necessary to use the "Co-operative Repayment" procedure, debiting "Co-operative Repayments" by the amount the federal appropriation is decreased.

Nursery stock furnished another region for reforestation work should be handled as a transfer of "Costs" and not as a payment for other regions.

BALANCING THE EXPENDITURE DISTRIBUTION

The following outline shows the function of the current accounting records normally maintained in field offices. It is not intended to be indicative of the order of arrangement of accounts in the binder.

Group 1. Fund and Allotment Control Records:

- (a) Allotment Record (Form 19)
- (b) Voucher Register (Form 19-a)
- (c) S. & E. sub-allotment control (Forms 19b & c)
- (d) Travel Records:
 - (1) Transportation Request Record (Form 19-e)
 - (2) Individual suballotment record (Form 19-f)
- (e) Individual Salary Records, etc., (Forms 19-d and 19-i)

Group 2. Combination Fund-allotment Control and Activity Expenditures Distribution records.

Project Records (Form 19-h)

- (a) Individual Fire Records.
- (b) Improvements
 - (1) Construction (By projects)
 - (2) Maintenance (By Classes)
- (c) Miscellaneous Activities requiring Allotment control

Group 3. Activity Expenditure Distribution records (Form 21-i).

In balancing the Activity Expenditure distribution with the voucher register, the total expenditures shown on the project records (Group 2) plus the total expenditures shown on Activity Expenditure records (Group 3) must agree with the disbursements shown on the Voucher Register, excluding disbursements which do not enter into the Activity distribution, such as (1) Refunds to depositors; (2) Refunds from the appropriation "Co-operative Work, F. S."; (3) Disbursement from any special fund

or appropriation not properly belonging in the Activity Expenditure distribution.

The accounting records should be balanced periodically and not less than quarterly. *All discrepancies must be located and corrected.*

Entries of a "Memo" nature or "Supplemental Records" distributed elsewhere in the expenditure records should be appropriately designated in order that they may be readily identified and not included in balancing.

If a repayment has been made covering work which the Service has done for others and which should be included in the activity expenditure records under the proper co-operation account, this will be taken into consideration in balancing. A column will be carried on the voucher register for entry of such class of repayments and designated "Co-operative Repayments." A column will also be carried on the voucher register for "Undeposited Co-operation" to take care of co-operation included in the activity expenditures not paid from Forest Service funds or Co-operative Work, F. S., funds. The term "Undeposited Co-operation" in this instance covers disbursements made by outside agencies on vouchers certified or approved by forest officers. So called "Gratuitous" co-operation in connection with the construction of improvements which ultimately become the property of the Government, will also be included under this heading. Such disbursements will be treated as regular expenditures and included in the activity expenditure records.

EXPERIMENT STATIONS, TAX INQUIRY, AND FOREST PRODUCTS LABORATORY

These units of organization need not keep the activity expenditure records in detail, but may do so if desired. They must, however, keep such records as will enable them to show distribution of expenditures to standard activities.

Ordinarily in order to accomplish this no records in addition to those required for fund and project cost accounting will be necessary except to maintain a record of purchases of semi- and non-expendable equipment under the account heading "General Equipment." Any improvements constructed must be accounted for under the fund accounting procedure on Form 19-h. On the Forms 19-h, any semi- or non-expendable equipment purchased and charged to the project should be shown in the columns provided so that at the end of the year the cost may be deducted from the cost of the project and included with the cost of similar equipment carried under the account, "General Equipment." The total of the expenditures for "General Equipment," and "Headquarters and Other Improvements" thus obtained subtracted from the total expenditures from all appropriations as

shown on the voucher register for the station will give the charges for the "Research" accounts. The Tax Inquiry unit will arrive at its cost in the same manner as above, using the account, "Forestry Extension, Co-operation," instead of the Research accounts. If work is done at a station pertaining to both research accounts, it may be necessary to set up the activity expenditure records and follow the procedure outlined for forests unless it is practicable to make a satisfactory division of the costs between the two research accounts through the medium of the regular experiment station project costkeeping records.

These units will be treated as separate units of organization and will submit the annual Activity Expenditure Statement on Form 43. Any expenditures from Station funds made for the direct benefit of forests or other units, such as fire fighting, etc., should be transferred to the unit affected at the close of the fiscal year by means of Journal voucher.

Special funds other than research funds allotted to experiment stations for expenditure, such as road and improvement funds will be considered an experiment station charge if their expenditure is primarily for the benefit of the experiment station, but when of more general benefit to the forest, such charges will be transferred to the forest. It is not intended that public relations work of experiment stations in connection with making known to the public and others the work of the station, shall be transferred to any other unit.

NURSERIES

Forests keeping accounts for nurseries will maintain a record of the nursery expenditures in sufficient detail to show expenditures for the following accounts:

- No. 15 Maintenance Roads, Forest Development.
- No. 16 Maintenance Trails.
- No. 17 Maintenance Roads, Forest Highways.
- No. 18 Maintenance Headquarters Improvements.
- No. 19.1 Maintenance Other Improvements.
- No. 19.2 Maintenance Other Improvements, R&T.
- No. 20 Roads and Trails.
- No. 22 Headquarters Improvements.
- No. 23.1 Other Improvements.
- No. 23.2 Other Improvements, R&T.
- No. 36 General Equipment.
- No. 27 Nurseries.
- No. 37.1 Stores.
- No. 37.2 Stores, R&T.

In addition to the above, Nurseries should make full use of the "Co-operative and Miscellaneous" Accounts No. 42 to 48, inclusive, which will be used to report expenditures of this nature

resulting from charges to Minor Project No. 12—Non-nursery, after that project has been cleared of all expense properly transferable to other units.

Under the account No. 27—Nurseries, will be recorded all nursery expenditures not falling into the other accounts enumerated.

The charges to maintenance accounts will be reported on Form 43 but will subsequently be cleared into Activity No. 27 by means of Journal Voucher on Form 43-C, except Activity No. 17, Maintenance Roads, Forest Highways.

REGIONAL OFFICE

The activity expenditure record will be maintained in the regional office, either for the regional office as a whole or by branches if desired. The current postings will be largely to General Overhead, the Equipment accounts, Stores Account, Supplies and Other Suspense, and Salaries Suspense. The chief recording and posting will be in connection with the time and expense of those members who do direct work on the forest. It will be necessary to maintain a record of activity charges for each forest to receive the current distribution of traveling expenses of specialists working on forests. It may be found more convenient to use Form 21-i for each major activity, writing the names of the forests in the columns provided on the form. Service reports will be posted currently to summary forms 34a for those members who submit service reports, such supplemental forms being kept as are necessary to determine the amounts (by Activities and Projects) that will be charged back to forests for direct work performed on or for the forests.

Except in the case of "B. P. R." projects, no charges should be made to investment accounts where the tangible or physical assets to which the charges belong are located on the forests or other units unless such charges can subsequently be handled as a charge-back to the units and projects affected. In other words, there should be no investment accounts in the regional office when the final expenditure statement is made except for those investments of a regional character such as, Highways, Buildings, Equipment, Stores and perhaps certain intangible investments in Surveys and Plans that may be more practically carried in the regional office.

CLOSING THE ACTIVITY EXPENDITURE RECORD FORESTS

Outstanding Liabilities

At the close of the fiscal year the forests and other units will round up and submit for payment before July 31 vouchers for all

outstanding liabilities as far as practicable. At the close of July or at the time final Form 44, financial statement for the fiscal year is prepared, all outstanding liabilities for which vouchers have not been submitted for payment, will be listed, included in lump sum on the Form 44 and distribution made of such liabilities to the activity expenditure records Forms 19-h and 21-i.

Unvouchered liabilities affecting Form 19-h records will be entered on one line in the "Expenditures from Appropriations" section of each project affected and included in the "Total to Date" column. All unvouchered liabilities will be supported by Form 79-b showing the total amount by appropriations and Bureau of the Budget classifications.

Before any other adjustments are made the total of all activity expenditure records should be in agreement with the total disbursements and outstanding liabilities as shown by the final Form 44 approved as correct by the Regional Fiscal Agent and no further entry of disbursements will be made until adjustment for details and distribution of Overhead have been made and the Expenditure Statement, Form 43, prepared.

After all entries and adjustments affecting expenditures have been made on the Forms 19-h, a red line will be drawn horizontally across all 19-h records upon which outstanding liabilities have been entered or to which postings are made subsequent to the preparation of Form 43, indicating that the data for Form 43 was taken off at that point. Subsequent payment of the unvouchered liabilities will be recorded below this line and will not affect the cost records unless the difference between the liabilities included and the amount subsequently paid is of an amount sufficient to warrant correction of costs, in which event the correction will be accomplished at the time Form 43-c is prepared. (See "Adjustment of Accrued and Deferred Charges.")

Adjustments

All adjustments affecting the expenditures of other forests and units should be determined as soon after June 30 as possible, and reported by Journal Vouchers to the units affected, but not entered on the activity expenditure record until the outstanding liabilities have been taken up and the activity record proven with the final Form 44 financial statement. The following steps should be taken to insure that all adjustments are made: Ascertain, (1) that other forests and units have been furnished service reports covering details to them. (2) that the regional fiscal agent has been furnished service reports covering details to forests in other regions. (3) that expenditures other than details properly chargeable to other units are transferred, such as land exchange expenditures affecting another forest, etc., (4) that expenditures other than details transferred from other forests or experiment stations are taken up, (5) that regional office

chargebacks are taken up, (6) that necessary adjustments in forest accounts are made, such as transferring expenditures on account of fire co-operation from the fire activities to Fire Co-operation, (7) that details from and to the forest are taken up. This will be done by entering the value of details to the forest in black ink in the "Salaries, Suspense," account, and the value of details from the forest in red ink in the same account. The net total of this account should then equal the totals distributed on Form 34a and summarized on Form 34. Advice as to expenditures affecting other units should be forwarded to the units concerned so as to reach them not later than August 5.

Distribution of Salaries, Suspense

Form 34a, Summary of Service Reports, should be posted monthly, including the service reports of the regular forest force and details to the forest. At the end of the fiscal year the value of the time will be calculated for the fiscal year, showing time chargeable to expansion accounts and projects under investment accounts. Before the hours shown for activities on Forms 34a are reduced to a money value, it should be ascertained that the total of all salaries on these forms equal the total in the account, "Suspense, Salaries," including adjustments made on account of details.

For fire statistical purposes it is necessary to compute contributed time on individual fires on a basis other than the fiscal year. When it is desired that Form 19-h records for fires agree with the Individual fire reports, Form 929, the value of the contributed time computed currently for statistical purposes may be posted in the "Memo" column of the 19-h. Such entries will be excluded from fire expenditures in each case when balancing the expenditure records with the Voucher Register and before summarizing the cost of all fires for posting to the expenditure sheets Form 21-i at the close of the year.

For cost accounting purposes the total value of actual contributed time computed at close of fiscal year for Fire Suppression may be posted direct to the activity on Form 21-i; computation for individual fires not being necessary.

Form 34 will be considered a journal voucher and will be prepared as soon after the end of the fiscal year as possible, so that the other units may be advised at the earliest date possible of total expenditures, including expenditures for salaries other than details, which are to be transferred to them. The distribution to activity expenditures shown by the summarized form 34, will be posted to the activity expenditure records as "Distribution, Salaries Suspense," and the "Salaries, Suspense" account cleared by credit entry prior to the transfer of the 19-h expenditures to the summary record forms 21-i.

Distribution of Supplies and Other, Suspense

When it has been necessary to charge expenditures to this account, it is assumed that such supplemental records as are needed to properly distribute the expenditures periodically or at the end of the year will be kept, such as service reports in the case of upkeep of pack stock, teams, etc., or record of use in the case of supplies. When the distribution to activities has been determined and the proper amounts posted, the suspense account should be cleared by credit entry. This should be done prior to the transfer of expenditures on Forms 19-h to the summary records, Forms 21-i.

If at the end of the fiscal year a forest or other unit has on-hand supplies and materials which have been charged to Suspense, that cannot be allocated to activities and projects on which to be used, the cost of such undistributed supplies will be transferred to the Stores Account.

Materials and supplies purchased from Road and Trail funds and charged to this account, which cannot be allocated to projects, should be transferred to the Stores account as "Stores—Roads and Trails", the project record sheet Form 19-h showing the appropriation from which paid in order that the expenditure may be reported under the proper fund on the Road and Trail Annual Report. Ordinarily, semi-expendable and non-expendable equipment will not be charged to Stores. Such equipment should be charged to the appropriate equipment accounts unless stocked for future distribution.

After posting expenditures transferred from other forests and units and making all other adjustments required the Forms 19-h should be summarized and posted to the activities on the activity expenditure sheets, Forms 21-i, as "Transferred from Forms 19-h" setting up accounts on Form 21-i for all activities for which sheets have not previously been set up. The activities will then be totaled and brought down as "Total Direct Expenditures." Before proceeding further the total activity expenditures should be proven. This will be done by making up the reconciliation statement, as called for on Form 43, Activity Expenditure Statement, which shows: (1) Total expenditures as shown by final Form 44, including outstanding liabilities. (2) Chargebacks from regional office, (3) Details from other units, by names of employees, (4) Transfer of expenditures from other units, by names of units, (5) Details to other units, by names of employees and forest, (6) Transfer of expenditures to other units, by names of units, (7) Miscellaneous refunds and special deposit disbursements. The net total should agree with the total Direct Forest charges.

Distribution of General Overhead

General Overhead will be distributed to all activities except

Equipment Accounts, and Nurseries. The total overhead as shown under General Overhead on the activity expenditure record will be distributed to activities, except as noted above. When the overhead distribution affects investment accounts and maintenance classes, the distribution should be posted to the project record sheets (Form 19-h), but need not be carried to detailed expansion accounts, "Supplemental records," or individual fires unless desired for local use. The distribution will be made in the column provided on Form 34, and will include not only General Overhead salaries, but all other General Overhead account expenditures. The names of account titles, other than General Overhead, are not printed in on Form 34 and they need not be written in unless desired as the numbers given will suffice for identification of activities in making the summarization. When the front of the Form 34 will not accommodate the number of employees whose Forms 34-a are to be summarized, the front may be used as the right hand page and the reverse side as the left hand page in the binder, thus making available more columns for employees. By inserting sheets with the two right hand columns cut off columns are made available for an indefinite number of employees. Form 34 is designed for use also in summarizing the salaries distribution by projects and for distribution of the indirect charges to such projects by writing in the "Account" column the name of such projects and salary distribution to them as shown on the reverse sides of Forms 34-a.

The total of the overhead distributed to project sheets should agree with the amount charged to the activities affected.

The hours used for distribution of overhead will be based primarily upon the hours worked as shown in the "Salaries" column, excluding the time shown for activities which are not to receive overhead. The time of the following classes of employees engaged on general administration and project work will be included; the time of all other employees being excluded:

1. Forest Supervisor.
2. Assistant Supervisor.
3. Technical Assistants.
4. Clerks.
5. District Rangers, except when working as an assistant under a project chief.
6. Chief of field party.

Item 6 will embrace chiefs of field parties engaged on such projects as timber surveys, grazing reconnaissance, acquisition, reforestation, project timber sales, boundary surveys, and road superintendents in charge of road and trail construction and maintenance.

The above listed personnel will be used uniformly on all Forest units throughout the Service.

Distribution will be accomplished by dividing the total "hours used" into the total Overhead to obtain the hourly rate. This rate, applied to the hours shown for activities to receive overhead, will give the amount chargeable to each.

The total of the extension by activities should equal the total overhead expenditures shown on the first two lines of the "Indirect" column of this form, the first line being the amount of direct charges to overhead from Form 21-i and the second line the amount charged to overhead through the salaries distribution. The final distribution should be entered on the expenditure records (Form 21-i) as "Indirect"; Account No. 1—General Overhead being cleared by credit entry and the totals brought down as "Total Expenditures."

These three items, namely, "Direct," "Indirect," and "Total Expenditures," constitute the figures to be used in preparing the Expenditure Statement, Form 43.

REGIONAL OFFICE

The procedure for closing the Activity Expenditure records in the Regional Office will be similar to that on the forest. Chargebacks to forests covering time and expense for direct work performed on or for a unit and purchases made for units from regional office allotments should be determined as soon as possible after June 30, and the units furnished Journal Vouchers which will show the charges by activities and projects, decreasing at the same time the proper accounts on the regional office activity records. All regional office chargebacks will be in sufficient detail to enable the forest or other unit to properly classify the charges. Single pieces of equipment costing \$100.00 or more will be itemized. Outstanding liabilities as of July 31 should be included and all other necessary adjustments entered. A reconciliation of these adjustments will be made to see that the activity records are in balance with the regional office disbursements as included in the July 31 financial statement.

The Regional Forester will designate the members of the regional office personnel who will submit service reports (Forms 26). These will include all members whose duties permit of the segregation of their time to standard activities. Promptly at the close of each month these service reports will be submitted to the regional office of accounts where they will be summarized on Form 34-A.

An expansion account under "General Overhead" will be established for each resource branch to receive the time of members on branch duties which cannot be directly allocated to specific activities. These expansion accounts will be designated "Branch Overhead" Activity No. 1-A. The time of branch members on other than branch duties which cannot be allocated to

any specific activity, branch or otherwise, will be charged to General Overhead, Activity No. 1.

At the end of the fiscal year the charges to activity No. 1-A will be distributed to branch activities on the basis of the amount of time charged by branch members to branch activities.

The accumulated time and expense charges to "General Overhead" (Activity No. 1) from all branches, will be distributed to activities on the basis of the entire regional office personnel time charges as shown by the Summary Form 34.

Chargebacks to units for time contributed to direct work on or for the units, will include a proportionate share of Branch Overhead (Activity No. 1-A).

ANNUAL ACTIVITY EXPENDITURE STATEMENTS FORESTS

A transcript of the activity expenditure records excluding Account No. 27—Nurseries (for which separate Form 43 will be prepared) should be made on Form 43, Activity Expenditure Statement, and submitted in duplicate to the regional forester. Care should be taken to see that reconciliation statement on the reverse side of the form has been prepared as proof in closing the activity expenditure record.

The total expenditures as shown by final Form 44, financial statement, should be taken up showing (a) "Co-operative Work, F. S.," (b) "Co-operative Repayments," (c) "Undeposited Co-operation," and (d) in one item all other appropriations. In the reconciliation statements for forests embracing nurseries, account No. 27—Nurseries, will be deducted and treated as a transfer of expenditures to the nursery unit.

Net receipts to be entered on the face of Form 43 will include only those shown in the official statement of receipts annually prepared by the Regional Fiscal Agents. Receipts, including trespass and settlement, from income producing activities should be shown in the column provided.

The receipts for Uses will include fiscal year receipts for special uses, water power and occupancy trespass as shown by the official receipts statement after deducting from "Uses" the receipts for revenue Fish and Game as taken from the forest receipts records.

The receipts for Fish and Game, Revenue will include the receipts from the sale of fish, game, and licenses, as taken from the forest receipts record and this figure will be the exact amount deducted from "Uses" in determining income for "Uses, Revenue." Fire Trespass receipts should be shown in space provided for "Miscellaneous Receipts." Total receipts will be the sum of the above.

Road and Trail materials and supplies purchased and charged to the Stores account will be reported separately, as "No. 37.2 Stores—Road and Trail," using the blank line immediately below "No. 37—Stores Account" on Form 43.

"Total Operating Expenses" will include the total of all "Expense" and "Protection Accounts" after proration of General Overhead, excluding No. 17—Maintenance Roads, F. H.

Reduction of grazing fees for construction of improvements under Regulation G-15 and G-16 will be inserted by the forest, the data for "C&H" and "S&G" being shown separately.

A supplemental statement showing the computed income for each class of stock will be submitted by the forests. To compute the income use the total value of all letters of transmittal issued for each class of stock, including the value of grazing fee reductions under Regulation G-15 and G-16, plus the value of all "paid" letters of transmittal issued in connection with grazing trespass. The value of the letters of transmittal issued may be secured by summarizing the current year entries on the grazing record cards, Form 621, for each class of stock and the grazing trespass record cards, Form 618, for each class of stock; or determined by summarization of the grazing letters of transmittal entered in the approved column on the receipts register for the current year, plus the actual grazing trespass receipts.

All other statistical data and unit costs as provided for on the reverse side of the form will be entered and computed by the regional office. The duplicate copy will be completed and returned to the submitting unit.

EXPERIMENT STATIONS, TAX INQUIRY, FOREST PRODUCTS LABORATORY AND NURSERIES

Experiment stations, the Tax Inquiry Unit, the Forest Products Laboratory, and Nurseries will report their activity expenditures on Form 43 using only the accounts applicable to their work; the report of the Laboratory being submitted to the Forester not later than September 10; the report of the other units being submitted in triplicate to the regional forester on or before the date called for in the regional schedule of reports.

The total expenditures reported on Form 43, should agree with the total expenditures from all appropriations entering into costs as shown on the voucher register. If transfers of expenditures have been made to or from the station on account of details or for other reasons, such adjustments should be included in or deducted from the reported expenditures as the case may be and shown in the reconciliation statement on the back of the form. In cases where nursery accounts are handled as a part of the Forest records, the total of the nursery Expenditure Statement must agree with the amount shown on the forest statement as

transferred to the nursery unit.

REGIONAL OFFICE

A separate expenditure statement, Form 43, is not necessary for regional office disbursements, compilation of the region expenditure statement, Form 43-a, being made direct from the forest expenditure statements and the regional office activity records.

Forest statements should be checked as received to see that they are in balance with the forest's final Form 44, taking into consideration adjustments that have been made between forests and other units.

The regional office of accounts will enter the statistical data from regional office records, and compute unit expenditures to four decimals on the forest Forms 43. The duplicate copy will be completed and returned to the submitting forest.

The data for timber sales will be compiled from the quarterly reports of timber cut and sold, using fiscal year figures for the M. Ft. B. M. and value of timber cut, and should include timber actually cut under land exchange agreements during the fiscal year, as shown by the quarterly land exchange cutting reports A and B, minus the M. Ft. B. M. and value of timber rejected as shown on sheet B. The average price per M will be obtained by dividing the total value of timber cut by the total M feet cut.

The date for grazing should be taken from the previous calendar year grazing report, Form 438, as follows:

For the number of head grazed use the totals shown opposite item 7 (d), plus 8 (b), minus 7 (b-1).

For the number of animal months grazed use the totals opposite item 7 (d), plus the animal months applicable to stock grazed on G-4 lands within the unit as shown by 8 (b), minus the animal months applicable to exempt stock as shown by 7 (b-1). In computing the animal months for exempt stock and stock grazed on G-4 lands within the unit, multiply the number of stock grazed under these classes by the average season in months as determined from 7 (d).

For the average income per head grazed divide the total income, as shown by the supplemental report submitted by the forests, for each class of stock, by the total number of stock of each class grazed.

The data for "Net Usable Grazing Area" will be taken from block 9, sheet 2, of Form 438, using the sum of the acreage shown opposite the captions "Net Usable, open to grazing" and "Acres of private land waived under G-4."

The data for "Net Forest Area" will be taken from the current fiscal year Form 446-b.

Operating expense per acre will be computed by dividing the sum of the charges to Activities 2 to 16, 18 to 19-a, and 38 to 41, by the net forest area.

Receipts per acre will be computed by dividing the "Total Receipts" as shown on the face of the form, by the "Net forest area."

Fire control costs per acre will be computed by dividing the sum of the charges to Activities 38, 39 and 40 by the GROSS area within national forest boundaries as shown by the current fiscal year Form 446-b.

When all forest statements are complete they should be combined on Form 43-a, Regional Activity Expenditure Statement, including sub-totals for "Expense," "Investment," "Protection," and "Co-operation and Miscellaneous" Regional office expenditures, which will include central purchase, will be added in the "Regional Office" column, and the totals for each activity extended to the "Total" column. Grand totals of the Direct, Indirect, and Total Expenditures, and Total Receipts, by forests, regional office, and totals, will be shown on the last sheet of the statement. The grand total for "Receipts" should agree with the net amount shown in the "Official Receipts Statement."

Forms 43-a are not required for Experiment Stations and Nurseries, but a certified copy of the Form 43 for these units will be submitted to the Washington office.

The data for compilation of Form 43-b will be taken from the reverse side of the forests Forms 43, the total forest costs being entered in the "Total Forests" column. Regional office costs and total costs for the Region will be entered in the "Regional Office" and "Totals" columns respectively. The Forms 43-a and 43-b should have the pages numbered with pencil and should be forwarded in time to reach the Washington Office not later than September 10. They should be neatly prepared by typewriter, pica type, with good ribbon suitable for photo-lithographing, and mailed without folding. These statements will be accompanied by the certified copies of the Experiment Stations and Nurseries Forms 43.

The statements should also be accompanied by a reconciliation statement prepared from the July 31 Financial Statement, Form 279-b, showing Total disbursements, (including Bureau of Public Roads disbursements from Forest road appropriations), Memorandum of Co-operative Funds included in the total, Deduction of fund disbursements not entering into Forest Service costs, Adjustments for details and expenditures transferred to or from the Region, and the total activity expenditures for the Region must be in agreement with an added recapitulation showing the totals of the Regional Form 43-a, and Forms 43 for Experiment Stations and Nurseries.

WASHINGTON OFFICE

Journal vouchers covering expenditures to be charged back to the Regions, such as Washington Office disbursements from Road Funds, Acquisition expenditures, Fire Co-operation and Distribution of Forest Planting Stock, etc., will be furnished the regions immediately after July 31, for inclusion in the regional statements. The expenditures of the Washington Office will be summarized by service activities and appropriations. Summary statements for the Service will also be prepared from the regional statements as follows:

- (1) Activities by Regions.
- (2) Activities by Nurseries.
- (3) Activities by Experiment Stations (including Forest Products Laboratory and Tax Inquiry and Washington Office Research).
- (4) Activities by States.
- (5) Appropriations by Regions.
- (6) Receipts by States and Classes (summarized by Regions).
- (7) Bureau of the Budget object symbols by Regions.

The statements will be photo-lithographed and distributed to the regions, sufficient copies of each regional statement being furnished to supply each supervisor with two copies and one copy for each ranger. Five copies of the statement for the entire Service will be furnished each Region.

ACTIVITY COSTS AND INVESTMENTS

One of the functions of the cost accounting system, is to furnish accounting information for use in the control of resource costs in relation to the public benefits derived as a result of the incurrence of costs. While this purpose is served in part by the information presented in the activity expenditure records, the economic aspects of the situation are more fully developed when activity costs and investments are presented. Although the value of some of the benefits derived from the resources of the national forests are not definitely measurable in the same terms as costs, if costs be ascertained with a fair degree of accuracy, they afford a basis for judging whether the benefits accruing during the same period are worth what they cost.

The question of the amount of funds that should be applied to the protection, utilization, and development of the national forest resources is an economic question none the less because some of the benefits are of an intangible or immeasurable nature. Administrative accountability requires that the costs of benefits be ascertained for definite periods in such terms that comparison may be had with the tangible and intangible benefits produced during the same periods as a basis for judging economical management. The accounting procedure necessary to make this pos-

sible is concerned with providing for systematic adjustments in the activity expenditures and maintaining such records as will result in the allocation of expenditures for particular benefits to the same accounting period in which such benefits or results are produced.

In addition, therefore, to the objectives explained in the activity expenditure section, the procedure for the activity costs and investments section of the cost-accounting system is designed to accomplish the following objectives: (1) Cumulative records of investments, (2) Depreciation as a cost, and (3) Adjustment of deferred and accrued charges. The following explanations are made with respect to these objectives:

Cumulative Record of Investments

Investment in resource assets are necessary for the protection, utilization, and development of the national forest resources. It is the aim of economical management to keep these capital investments as low as possible, (1) because they add to the current cost of operation through the distribution of their deterioration or depreciation to current costs, and (2) because they represent money invested for the utilization of the forest resources which should to avoid an economic loss, produce net results at least as valuable as the interest value of such money. It is not, however, contemplated that interest on invested capital shall actually be accounted for as an item of cost in this system.

The cumulative investment record on Form 21-J will be built up from the current activity expenditure records. One of its major purposes is to provide the accounting data from which to determine the depreciation costs that should be taken up periodically in the various accounts benefited in addition to the costs currently recorded in the activity expenditure records. It would simplify matters if each investment pertained exclusively to one resource. This, however, is not the case. Improvements at a ranger's headquarters, for instance, may render service to all resources. Investments will be recorded by such projects as will facilitate determination of the proper amount of depreciation to be included in current resource costs and other accounts. For instance, instead of grouping all timber surveys in one account, accuracy may be served by recording these investments in some cases by projects. Costs of timber surveys in a sale that will run 5 years can be quite accurately charged off over the period of the sale or according to the rate of cutting, but if included with all other costs of timber surveys, the proper amount to write into current costs would be more difficult to determine. What project accounts of this nature are needed for investment record purposes will depend on the circumstances, and each situation should be carefully analyzed to determine what should best be done in the interest of accuracy and practicability. Investment

projects of this nature should not be carried to the extent of being unduly burdensome. Before individual projects are set up under such an account as Timber Surveys and Plans, it should be considered whether a fair degree of accuracy cannot be obtained by carrying a general account for Timber Surveys and Plans for each fiscal year, and writing off the amount over the period of time decided upon as equitable.

Aside from determining depreciation costs, there is the more general need for knowledge as to the total value of investments in assets at stated periods. For this purpose investments which do not depreciate will be included in the cumulative record of investments as well as those that do.

Depreciation as a Cost

The term "depreciation" in this system is used to designate all decreases in value of assets that are to be written into current costs, and its use should be construed to include items which might more properly be referred to as depletion, deterioration, etc. No allowance is to be made for appreciation in values.

Depreciation on improvements, equipment, or other depreciating assets, as a factor in costs, arises only because the fiscal or other period for which information concerning costs is desired does not coincide with the service life of the improvements and other assets. If an improvement were entirely used up during an accounting period, its cost could be treated solely as an expense of operations to be charged to that period. But because the life of the various depreciating assets is not uniform in length and overlap into several accounting periods, the costs are properly allocated by means of writing into the costs of each accounting period the approximate amount of depreciation on assets which has taken place during the period.

Depreciation of tangible property arises from three main causes: (1) Physical, (2) Functional, and (3) Accidents or contingent causes. Under physical depreciation is included wear and tear from operations and action of time and the elements. Functional depreciation includes loss of value through inadequacy or obsolescence. A trail of a certain class may become inadequate for the traffic over it as the result of increased use, making it necessary to abandon it and construct one of a higher standard; an instrument or piece of equipment or even a building may become obsolete because of new inventions, new developments or radical changes in the work to be performed, causing its abandonment before it has been worn out by use or wear and tear. Depreciation in value of assets from accidents or contingent causes, such as diseases, fire, wind, etc., is not uncommon. Depreciation of intangible property such as a grazing plan is usually dependent on lapse of time or abandonment. Thus all assets tend to decrease in value and nothing that can

be done can do more than retard the inevitable. The above causes should be considered in estimating the amount of depreciation. The fact that a building will last 50 years if properly maintained may not be the deciding factor in applying depreciation. If it can be foreseen that developments will eliminate the need for the building in 25 years, that may be the influencing factor.

The application of depreciation procedure in accounting serves a number of purposes. It has particular significance in Service accounting from the standpoint of indicating present values of investments in assets and in ascertaining correct costs of current operations, with emphasis on the latter. It is evident that it cannot be determined accurately, but systematic and careful estimates properly recorded produce results that may be accepted as facts for practical purposes.

The methods of calculating depreciation are numerous, but for simplicity and practicable purposes the straight line method will be the basis used by the Forest Service, the straight line method being modified to the extent that the life in years will be converted to percent which, in turn will be used in calculating the annual amount of depreciation to be written into costs. (See also instructions under life terms.) As an example under the foregoing the assigned life is considered as equal to 100% and the annual rate the total percent divided by the number of years. Thus for a project assigned a life term of 50 years, the annual rate would be 100% divided by 50, or 2%.

Under this method the investment would be wholly depreciated at the end of the life term assigned, provided no additional costs have been added during the life.

In the latter event, the life is automatically extended and ordinarily there would be no change in the annual percentage rate. However, in event it is desired that the investment be wholly depreciated as of a given year, the annual percentage rate would be adjusted accordingly.

It will be the practice of the Service to allow for no scrap value in advance of realization. The scrap or salvage value, when it occurs, will be included in project or activity costs when the materials are used, or its value taken up as an investment in "Stores" until such time as used.

In some instances, depreciation or loss of value will be calculated on the basis of amount of use rather than strictly on a flat rate on assumed life period of use. This method may be applied, when considered more desirable, in the case of seed extraction plants, seed kilns, equipment such as tractors, trucks, graders and other large equipment, the amount of depreciation for any given fiscal period depending on the amount of use and condition of the equipment, etc., as a result of such use. The method

will also apply in the case of timber survey costs applicable to a particular timber sale, the write-off of cost being proportionate to the amount of timber cut during the fiscal period. The application of depreciation to individual pieces of equipment on the basis of use or otherwise will ordinarily be restricted to equipment designated "large" but may be extended in exceptional cases to "Small" equipment which it is desired to depreciate individually in the interest of more accurate costs.

All other equipment will be considered as being 100 per cent efficient or as suffering no loss of value so long as it is carried on the records as usable. Only semi-expendable and non-expendable equipment and property are to be classed as investments and a cumulative record maintained for it. The value at cost of equipment designated "Small" through loss, theft, wearing out and condemning, breakage or other destruction, during a fiscal period will be considered as the annual depreciation on such equipment in lieu of applying any rate or rates of depreciation. If property to which no depreciation has been applied currently be condemned and sold, the difference between the cost and selling price will be included as depreciation chargeable to the fiscal period in which the sale is made. If depreciation has been applied currently to such property, the amount thereof should be deducted from the aforementioned difference. For this method of ascertaining depreciation on equipment to be equitable, it is essential that property that is no longer usable should be disposed of currently and not be permitted to accumulate and cause a heavy charge at irregular periods.

Depreciation will not usually be applied to improvements in the year in which such improvements are constructed. Depreciation may be applied, however, in such cases, if practically a full season's use of the improvements has been secured and the application is necessary for accurate costs for that year. This principle will apply in the case of equipment where conditions warrant.

Adjustment of Deferred and Accrued Charges

As a means of further ascertaining correct costs for current operations, it sometimes becomes necessary to defer expenditures that are recorded as expenses in one period to a subsequent accounting period. For instance, if considerable marking on a timber sale area is done and the timber will not be cut until the next accounting period, the cost of the marking may properly be deferred until the period in which the timber is actually cut and removed, so that costs will show properly in relation to timber reported cut and removed. Costs of this nature which closely offset as between accounting periods need not be adjusted. The deferring of expense charges from one accounting period to a subsequent period has the effect of making such expense charges

a temporary investment or asset, and in reporting values of assets such charges will be included in the current period. In the subsequent period, these deferred charges will be taken up as expenses or current costs of that period, or such part of them as may be properly chargeable thereto, and the asset account decreased accordingly.

Accrued charges are obligations that exist at the end of a fiscal period for benefits obtained during such period but which are not paid for and included in the accounts for the period. Rent of an office, if not paid for and included in the accounting period benefited, would be an accrued charge. However, the Service has little or no such charges that require adjustment for the reason that accrued charges in connection with annual appropriations are taken up as "outstanding liabilities." Accrued charges arise in connection with continuing appropriations but no adjustments are necessary since all obligations unpaid on June 30 are charged into the accounting records for the next fiscal period.

In cases where large items have been erroneously included or omitted from the "Unvouchered" liability charges taken into the expenditure statement and corrections are considered desirable, adjustment may be accomplished by use of Journal Vouchers when Expenditures are converted to Costs prior to preparation of Form 43-c. Any adjustments of this nature should be shown on the Form 19-h and 21-i records and reflected in the adjustments column and on the reverse side of Form 43-c. Minor differences not materially affecting costs, will be ignored. Ordinarily maintenance costs of roads and trails as well as other costs involved in continuing appropriations paid in a fiscal year subsequent to the one in which incurred will not require adjustments, it being considered that they offset as between fiscal periods.

ACCOUNTING RECORDS

Activity Costs

In ascertaining activity costs, the procedure is more one of adjusting and correlating the accounting information obtained under activity expenditure accounting than of recording current business transactions. No additional records providing for day to day entries are therefore needed for recording current costs, but additional records are required for recording cumulative investments and depreciation. Such recording of costs as is necessary will be made on the Activity Expenditure sheets, Forms 21-i, immediately following the last entry thereon for "Total Forest Expenditures." When these adjustments of costs such as distribution of depreciation and maintenance charges affect projects, or accounts, carried on Forms 19-h, the entries will first be made on Forms 19-h and later carried to the Activity Expenditure sheets 21-i, by summarization. Thus, Forms 19-h will be com-

plete as to investment and other costs by projects.

The activity costs and investments section of the cost accounting system is concerned primarily with the ascertainment of resource expenses and investments in resource assets as distinguished from expenditures. The resource expense account for a fiscal period, as ascertained in the activity expenditure records, represent in part the costs of the benefits for that period arising from the utilization of the national forest resource. The adjustment necessary to convert the activity expenditure accounts into cost accounts may in some instances indicate the need for expansion accounts in the activity expenditure classification that will permit of more accurate adjustments. It is within the discretion of the regional forester or forest supervisor to initiate expansion accounts to supply this need.

Investment and Depreciation Records

Form 21-j, Investment and Depreciation Record, is devised to serve several purposes. It serves as a cumulative record of amounts invested and also as a record upon which to compute and record, and from which to charge into operating costs, the decrease in investment values due to depreciation or using up of assets in current operations. It is to be used for all kinds of investments, such as improvements, equipment, other investments, stores, and deferred charges. No investment record is to be set up covering land and timber except land which is acquired through purchase, exchange, donations, or additions by proclamations. This will eliminate from consideration as investment the greater part of national forest lands under Forest Service administration.

The various individual investment records carried on Forms 21-j will be grouped in an accounts binder as follows:

Improvements:

Fire Control and Administration

Roads, Major Development and Truck Trails

Roads, Forest Highways

Trails

Telephone Lines

Fire Breaks

Lookout Houses

Lookout Towers and Observatories

Dwellings, Headquarters

Dwellings, Temporary Stations, etc.

Barns, Headquarters

Barns, Temporary Station, etc.

Office, Headquarters

Office, Temporary Station, etc.

Other Improvements, Headquarters

Other Improvements, Temporary Station, etc.

Other Improvements, R&T
Fences, Headquarters
Fences, Temporary Station, etc.
Water, Headquarters
Water, Temporary Station, etc.

Public Service

Camp Buildings
Water
Improved Camp Grounds

Range

Fences
Corrals
Improved Stock Driveways
Stock Bridges
Water Development
Other Projects, such as larkspur eradication, rodent control, etc.

Other Investments

Acquisition, Exchange and Gift
Acquisition, Purchase
Reforestation, Field Planting and Seeding
Reforestation, Other
Nurseries
Timber Surveys and Plans
Grazing Surveys and Plans
Fish and Game Surveys and Plans
Recreation Surveys and Plans
General Surveys and Maps
Timber Stand Improvement
Other Investments (Activity 32.2)

Equipment and Stores

Equipment Road and Trail, Large
Equipment Road and Trail, Small
Equipment Fire, Large
Equipment Fire, Small
Equipment General, Large
Equipment General, Small
Stores, General
Stores, R&T

Deferred Charges

By classes of charges: as,
Marking Timber
Etc.

The upper part of Form 21-j, Investment and Depreciation Record, is for statistical purposes and the lower part for maintaining a record of the investment as to original cost, annual de-

preciation, and present value. For Improvements and other projects the "Explanation" column may be used to itemize the cost by appropriations, contributed time and expense, overhead, depreciation on equipment included in cost, etc. Such details will usually not be needed for record purposes on this sheet and may be omitted. In the upper right-hand corner of the form a space is provided for showing the Resource classification. Investments are to be classed according to the National Forest resources to which they pertain, showing by percentage the allocation to the resources. For example, the resource class for a lookout tower would be "Protection"; for a drift fence "Range (C. & H.)" and for a ranger dwelling, "General." In other cases the investment may affect several resource classes, as in the case of a road, which may be classed Protection 50%, Recreation 25% and General 25%. (See resource classes given below).

Similarly investments which benefit exclusively the accounts grouped under the heading "Co-operation and Miscellaneous" are to be classified as "Co-operation and Miscellaneous." Those investments which benefit a number of National Forest resources or several classes of accounts which render it impracticable to classify as pertaining to specific resources will be classified as "General." This classification will serve to indicate the accounts to which depreciation is chargeable.

The complete list of the resource classes of investments are as follows:

Timber	Land
Grazing	Protection
Fish and Game	Co-operation and
Recreation	Miscellaneous
Water	General

The classification of an investment will ordinarily remain the same throughout its life period, but if there is actually a change in the character of use, the classification should be changed accordingly. For instance, a building constructed for general administrative use might be taken over for exclusive use in nursery or reforestation work, which would change the classification from "General" to "Timber." Similarly, the resource class of a road may be changed when conditions justify.

The procedure to be followed in initiating and maintaining the various investment records is as follows:

Improvements

The record is to be maintained on a fiscal year basis.

Improvements acquired without cost which are used and maintained by the Service should be given an appraised value and taken up in the column "Co-operation and Acquired" and extended to the "Total to Date" and "Present Value" columns. Government funds expended on improvement projects for which

deposited and undeposited co-operation are involved, will be shown in column 3-c on form 21-J; only the co-operation being shown in column 3-b, and the total of these columns will be extended to column 3-d and the present value column. Co-operative range improvements constructed under provisions of Reg. G-15 and G-16, will also be taken up on Form 21-j. The unliquidated balances, if any, being recorded in Column 3 (b), the equity acquired by the Government through amortization in Column 3 (c), and the total cost in Column 3 (d). Thereafter, as amortization proceeds, the unliquidated balances in Column 3 (b) will be reduced and the Government equity in Column 3 (c) increased by the amount amortized, the "Cost to Date" remaining unchanged. Depreciation on such improvements will be applied as for regularly constructed improvements.

Contributed time, contributed expense, overhead and equipment depreciation charges should be included in the investment records even though this may cause the total cost of certain projects to exceed the statutory limitations. Any waivers for amounts covering these items which are not chargeable against the limitation should be shown cumulatively in the Statistical Section of the record, using the first line above the block provided for "Miles," etc.

The following illustration represents the record of a fence 10 miles long constructed in 1915 with additional construction, partial abandonment and sale being involved, the annual depreciation rate being $6 \frac{2}{3}\%$ based on a life period of 15 years, dating from the fiscal year 1916:

(1) Explanation	(2) F. Y.	(3) Cost				(4) Real- ized from Sale & Salv.	(5) Depreciation		(6) Present Value
		(a) Trans. Aband Sold Lost. Destr.	(b) Coop. & Acq.	(c) Other	(d) Total to Date		(a) Annual Phy. & Func.	(b) Aband. Destr.	
1. Inventory 10 Mi.	1915		200.00	300.00	500.00				500.00
2. Dep. (3 Yrs.)	1916								
	1918								
3. Aband. 2 Mi.	1919	100.00			400.00	25.00	100.00	55.00	320.00
4. Dep. (1 Yr.)	1919						26.66		293.34
5. Dep. (1 Yr.)	1920						26.66		266.68
6. Add. Const. (3 M)	1920			180.00	580.00				446.68
7. " (5 Yrs.)	1921								
	1925						193.34		253.34
8. Sale 4 Mi.	1925	210.92			369.08	40.00	30.31		183.03
9. Dep. (5 Yrs.)	1926								
	1930						123.03		60.00
10. " (1 Yr.)	1931						24.60		35.40
11. " (1 Yr.)	1932						24.60		10.80
12. " (1 Yr.)	1933						10.80		.00

As in the above example, depreciation will not ordinarily be applied to the year in which construction is accomplished. The annual rate (percent) of depreciation is determined by dividing 100% by the estimated life period in years; for example, 100%—15=6 2/3%. The amount of annual depreciation is found by multiplying the cost to date (3-d) by the rate (6 2/3%). Thus, item No. 2, amount \$100.00, represents depreciation on \$500.00 for the 3-year period 1916-1918.

Item No. 3 represents an abandonment of 2 miles of fence in the fiscal year 1919. Since the average cost per mile is \$50.00, the cost value of the two miles (\$100.00) is entered as a deduction in column 3 (a) which reduces the total cost to date in column 3 (d) to \$400.00. \$25.00 was considered as being the value of salvaged material, and is shown in column No. 4. In column 5 (b) must be entered the loss in value, if any, due to abandonment. Before this can be determined, the depreciation already applied to the 2 miles abandoned must be calculated. In this case 3 years depreciation has been applied. Therefore, the amount would be $\$100.00 \times 6 \frac{2}{3\%} \times 3$, or \$20.00. After deducting this \$20.00 from the cost value of the 2 miles, the remaining \$80.00 represents the present book value thereof. Since \$25.00 worth of materials were salvaged, the actual loss from abandonment would be \$80.00 minus \$25.00 or \$55.00 which is entered in column 5 (b). The present value (column 6) would be \$400.00 minus \$80.00, or \$320.00.

Item No. 4 represents 1 year's depreciation on the remaining fence for fiscal year 1919 ($\$400 \times 6 \frac{2}{3\%}$) or \$26.66. This is entered in column 5 (a) and after deducting in column No. 6, the present value equals \$293.34.

Item No. 5 represents one year's depreciation on \$400.00 for the fiscal year 1920. No depreciation being taken on the new construction during that year.

Item No. 6 represents additional construction of 3 miles in the fiscal year 1920 at \$60.00 per mile, bringing the cost to date to \$580.00 and the present value to \$473.34.

Item No. 7 represents depreciation for 5 years (1921-25) on \$580.00 ($\$580.00 \times 6 \frac{2}{3\%} \times 5$), or \$193.34. After these items are properly entered the present value (col. No. 6) is \$253.34.

Item No. 8 represents entries covering the sale of 4 miles of fence for \$40.00. The cost value entered in column 3 (a) is determined as follows: The total cost to date \$580.00 is divided by the total length, 11 miles, resulting in an average cost of \$52.73 per mile. Then $\$52.73 \times 4$ or \$210.92 equals the cost value of the 4 miles sold.

The cost to date now becomes \$580.00 minus \$210.92, or \$369.08. In determining the loss to be taken up as depreciation, the same principle as in item No. 3 will be applied. From the

cost value of the 4 miles sold (\$210.92) will be deducted the depreciation previously taken on the 4 miles. This amounts to $\$210.92 \times 6 \frac{2}{3\%} \times 10$ years, or \$140.61, which deducted from \$210.92 gives \$70.31 the present book value of the fence sold. Since the amount received (\$40.00) was less than the present book value, the difference (\$30.31) is taken up as representing the loss or depreciation through sale and entered in column 5 (b). The present value now becomes \$253.34 minus \$70.31, or \$183.03.

Item No. 9 represents depreciation on the remaining fence for 5 years and is determined as follows: $\$369.08 \times 6 \frac{2}{3\%} \times 5$ equals \$123.03, leaving the present value \$60.00.

In this example it will be noted that while the life term assigned was 15 years and at the close of fiscal year 1930 depreciation has been taken up for that number of years, there remains a present value of \$60.00. This represents the undepreciated value of the fiscal year 1920 construction, on which depreciation will be continued at the same rate (6 $\frac{2}{3\%}$) until wholly depreciated as shown by items No. 10, No. 11 and No. 12.

It should be noted that in column 5 (a) is entered only depreciation of a physical or functional order that has been applied currently. Depreciation due to these causes but which has not been entered currently and depreciation or loss through destruction which are applied in a lump sum at the time of abandonment, sale or destruction, are entered in column 5 (b). The sum of the entries in columns 5 (a) and 5 (b) for the fiscal year should always be taken as the total amount of depreciation for that year for purposes of distribution to cost.

The net sum of the entries for the fiscal year in columns 3 (b), 3 (c), 4, 5 (a) and 5 (b) deducted or added to the previous year "Present Value" gives the current year "Present Value." Columns 3 (a) and 4 are to be used for both "plus" and "minus" entries, column 3 (a) covering "cost" values and column 4 depreciated or "present" values. (See sample Journal Voucher, Form 21-h).

Amounts entered in column 4 representing the present value of transfers, salvage and realizations from sales receive no further treatment than are given on Forms 21-j and reported on Forms 43-c, Cost Statement and 43-d, Investment Statement. The separation of depreciation as given in columns 5 (a) and 5 (b) is for the purpose of making the relationship between depreciation as given in column 5 (a) and the original cost as given in column 3 (d) more comparable.

If, in the above example, the amount shown in column 3 (b) represented co-operation of \$200 on an improvement that was to be amortized through application of grazing fees, entries would be made each year transferring from column 3 (b) to column 3

(c) the amounts thus applied. Such transfers would have no other effect on the entries on the form or on any of the calculations.

The foregoing example is purposely made to cover a number of problems that may only occasionally be encountered after the investment records have been brought up to date. Most projects will represent merely the application of depreciation over their life periods without complications of partial abandonment, additional construction, or sale.

The application of depreciation to a dwelling or other project does not effect in any way existing statutory limitations as to the amounts that may be expended for such improvements. The original cost of the project is the determining figure rather than its depreciated or present value in deciding whether additional construction to the project may be undertaken.

Ordinarily in the case of buildings, additional construction will not be considered as lengthening the life term of the original improvement, in which case the adjustment of the annual percentage rate should be made as previously stated. This rule may hold good in the case of other improvements or projects to which construction is added. If parts of a project have life terms so varying that the situation cannot be adequately covered by assignment of a common life term, it will be necessary to carry the parts on separate Form 21-j. A salvage value will not be considered until it actually occurs; that is, at the time of sale or abandonment. If a project which shows a "Present Value" is reconstructed, the difference between the estimated salvage value and "Present Value" figure on Form 21-j will be entered as depreciation for the year in which reconstruction is undertaken, or in the preceding year if foreseen and more appropriate. The salvage value will be included in the cost of the reconstructed project or on whatever project used. When salvage materials are of an amount worth considering as an investment the value thereof will be entered as a credit to the old project in columns 3 (a) and 4 of the Form 21-j and taken up as an "Additional Cost" on the Form 19-h for the new project if the salvaged material is used during the current fiscal year. In transferring the new project costs to Form 21-j at the close of the year, the value of the salvaged material will be entered as an increase by transfer of costs in both columns 3 (a) and 4 of the new project Form 21-j. If the salvaged material is not to be used within the current fiscal year, the value thereof will be taken up on separate form 21-j as an investment in materials and reported in the Stores Account until such time as the materials are used. When used, the Stores Account should be credited and the project or activity on which used charged.

In all cases of transfer of improvements between units, a copy of the Form 21-j records will be supplied the receiving unit

promptly at the time of the transfer. If the transferring unit has received the major benefit from the project during the year it will bear the depreciation for that year and notify the receiving unit that depreciation has been so taken in order that the receiving unit will not take up current depreciation in its Costs.

All transfers must be covered in the Cost and Investment Statements of both units, the transferring unit reporting a decrease and the receiving unit an increase in investments.

Such transactions will be supported by Journal Vouchers, the "Cost" values on Form 21-j of the transferring unit being cleared by credit entry in columns 3 (a) and 3 (d), and the "present" or undepreciated values by credit entry in column 4. The column 4 entries will agree with the "Net" adjustments taken into the Cost statement, Form 43-c. Transfers will also be reflected in the Investment Statement, Form 43-d by showing the "cost" value as a reduction in column 3 and the "present" value as a reduction in column 7.

After copies of the records of improvements transferred have been transmitted to the receiving unit and the transfers reflected in the annual statements, the closed project sheet will be removed from the "live" investment section and placed in a "closed" section or separate binder provided for closed cases.

When depreciation rates have not been adjusted to correspond to actual life, resulting in a project being wholly depreciated but still in existence and use, the Form 21-j will not be transferred to the closed section but will be retained in the live section and reported as wholly depreciated in column 4 (b) of Form 43-d, until finally disposed of by sale, transfer, loss or abandonment.

All improvements dropped from the records because of loss, destruction or abandonment must be covered by Forms 858 and the difference between the "cost" value and the depreciation previously applied will be taken up in column 5 (b) as depreciation on the project for the year in which lost, unless the amount is sufficiently large to warrant carrying as a deferred charge. Sales will be covered by Forms 217, transfers of equipment by Forms 939 and transfers of improvements by Forms 21-h, and these forms as well as Forms 858 will be treated as Journal Vouchers.

Life Terms

For the purpose of determining depreciation rates to be used in accomplishing an orderly and uniform retirement of capital investments into operation costs over a selected period representing the average life of the various classes of improvements, standard life terms have been adopted. These terms will be used uniformly by all units throughout the Service except in cases

where it can reasonably be determined that a given improvement will become obsolete or be abandoned in a lesser period than the standard for the class to which it belongs. Under such circumstances the shorter period should be used to accomplish the write-off of the remaining undepreciated value.

Where a Region or group of Regions desire to accomplish depreciation of certain classes of investments in a period shorter than the established standards, the facts and circumstances should be embodied in definite recommendations to the Forester for approval.

STANDARD LIFE TERMS FOR INVESTMENTS

Roads, Major Development and Truck Trails.....	50	years
Road Bridges. \$1.000 or more:		
Untreated Wood Structures.....	20	"
Treated Wood Structures.....	30	"
Steel Structures	50	"
Trails	50	"
Portages	50	"
Trail Bridges. \$500 or more:		
Untreated Wood	20	"
Treated Wood	30	"
Steel	50	"
Telephone Lines	20	"
Fire Breaks	50	"
Visibility Clearings	40	"
Lookout Houses	20	"
Lookout Towers & Obs. (Steel).....	40	"
Lookout Towers & Obs. (Wood).....	20	"
Dwellings, Headquarters	30	"
Dwellings, Temporary Stations, etc.....	20	"
Barns, Headquarters	30	"
Barns, Temporary Station, etc.....	20	"
Offices, Headquarters	30	"
Offices, Temporary Stations, etc.....	20	"
Other Structures, Headquarters.....	20	"
Other Structures, Temporary Stations, etc.....	20	"
Fences, Headquarters	15	"
Fences, Temporary Stations, etc.....	15	"
Water, Headquarters	20	"
Water, Temporary Stations, etc.....	15	"
Floats and Docks	5	"
Scalers' Cabins	10	"
Camp Buildings:		
Shelter and Recreational Buildings.....	20	"
Toilets	15	"
Water, Camp Grounds.....	15	"
Improved Camp Grounds.....	15	"

Fences, Range	15	"
Corrals	15	"
Stock Driveways	50	"
Stock Driveway Bridges:		
Untreated Wood	20	"
Treated Wood	30	"
Steel	50	"
Water Development, Range	15	"
Timber Surveys and Plans	Life of sale, plan or annual cut.	
Grazing Surveys and Plans	20	years
Fish and Game Surveys and Plans	5	"
Recreation Surveys and Plans	10	"
General Surveys and Maps:		
Base Map Prints	Period stock will be available for distribution.	
Boundary and Other General Surveys (Project Nature)	10	years
Accumulated Base Map Data, Status and Corner Records	No Dep'n.	
Equipment:		
Road and Trail Equipment (Large)	Basis of use.*	
Fire Equipment (Large)	10 years	
General Equipment:		
Motor Equipment	Basis of use.*	
Other (Large)	10 years	

(*Miles driven or hours used.)

Transportation plans will be carried in the investment records and Road and Trail Annual Reports as projects and will be depreciated only as directed by the Forester.

No depreciation will be taken on such investments as Lands, Timber, Reforestation, and Nursery Stock.

The feeling that there is no depreciation because an improvement is being well maintained will usually be overcome by a consideration of what has happened under similar circumstances in the past outside the Service and in some instances within the Service. New developments and the march of progress are often greater factors in depreciation than wear and tear of use and the elements. Even the best constructed dirt roads are not likely to bring to the period in which they may be surfaced with concrete the full value of their original cost. Invariably, in such projects changes of one kind or another lead to a partial loss of the original investment.

The fact that depreciation appears to be such a problematical factor in costs should not militate against its careful calculation. It is usually such an important factor in obtaining even a fair indication of true costs and true values of investments that

a careful estimate and consideration of it cannot be dispensed with in efforts to attain sound financial management.

As opportunity offers during the year, and not later than the close of each fiscal year, investments should be gone over carefully and current depreciation entered in the "Depreciation" column for all investments to be depreciated. This will be done before Forms 21-j are set up for new projects or additions to old projects are brought into the cumulative investment record at the close of the fiscal year. If, however, there are any cases of additions to old projects to which it is essential that depreciation should be applied that year as well as the old values, the amount of depreciation for such projects should not be entered until the costs of additional construction are brought into the cumulative record. In case of additional construction costs to a project, such additions must be included in the "Present Value" reported at the close of the fiscal year.

When all adjustments in activity expenditures have been made at the close of the fiscal year as hereinafter outlined so that investment expenditures on Forms 19-h and Forms 21-i show total costs for the year, a Form 21-j should be set up in the cumulative investment record ledger for each new investment and the fiscal year costs entered thereon. Additional investment costs effecting old projects should also be entered on their respective sheets in the cumulative record.

In grouping the various improvements and other investment record sheets in the investment ledger the following instructions should be observed:

IMPROVEMENTS

Headquarters Improvements.

Improvements classed as headquarters improvements should follow the activity definitions for this class of improvements; that is, include the cumulative record of construction, costs for permanent improvements at both summer and winter headquarters stations of yearlong employees.

Temporary Station Improvements.

Includes all improvements not specifically classified otherwise.

Roads.

Roads should be segregated into classes in accordance with the definitions of the investment accounts for the two classes of roads.

Trails.

Trails will include all classes except stock driveways. The

individual records may be grouped under one class without segregation unless subdivisions are desired locally. (Stock driveways will be included under "Range Improvements.")

Telephone Lines.

Include Forest Service lines strung on poles belonging to private companies or to individuals as well as those strung on Service poles. In determining mileage of telephone lines for statistical purposes, show the number of miles of line (not the mileage of wires.)

Lookout Houses.

Includes houses from the interior of which actual lookout duty is performed, and in which the lookout lives.

Lookout Towers and Observatories.

Includes all towers as well as all shelters from which lookout duty is performed which are not used as living quarters.

Dwellings.

Includes all houses and cabins regardless of size constructed for dwelling purposes, including living quarters for lookouts, if not more properly classified as a Lookout House.

Barns.

Includes all barns and stables, regardless of size or cost.

Offices.

Includes buildings used exclusively or primarily for office purposes.

Other Improvements.

Includes all constructed improvements and structures not specifically grouped elsewhere, such as warehouses, storerooms, toilets, root cellars, woodsheds, wharves, floats, sidewalks, etc. Portable tool caches and portable cabins should be considered an equipment investment.

Fences (Fire Control and Administrative).

Includes yard, garden, horse-pasture fences and corrals not more properly grouped under Public Service and Range Improvements. (Reportable by miles.)

Water (Fire Control and Administrative).

Includes all improvements pertaining to the domestic water supply, such as wells, windmills, pumps, tanks, cisterns, conduits, dams, development of springs, sewer systems, etc., not more properly grouped as Public Service or Range. If it has been necessary to set up more than one form 21-j for the parts

of a project in order to apply depreciation to the parts, the parts should be combined and reported as one project in the Investment Statement, Form 43-d. Separate enumeration of the parts of a project for any other reason should be avoided in the Investment Statement. Thus, the development of a spring, and a pipe line from the spring to a building; and wells with windmills and pumps, or with pumps only, constitute but one project.

Camp Buildings (Public Service).

Includes all buildings constructed for the comfort and convenience of the public, such as shelters, rest rooms, latrines, toilets, etc.

Water (Public Service).

Includes walling up of spring, piping of water, installation of tanks, digging of wells, or other water development projects on recreation areas.

Improved Camp Grounds (Public Service).

Includes all camp grounds that have been improved by the construction of fireplaces, tables, toilets, water development, etc. Camp grounds improved by Camp Buildings and Water should be included under Improved Camp Grounds, but the costs of such Camp Buildings and Water which have been reported under the separate headings should be excluded from the costs shown for the Improved Camp Grounds.

Fences (Range).

Includes division, drift and boundary fences for control of range stock. (Report by miles).

Corrals (Range).

Includes corrals of every description (other than those used exclusively for stock owned by Forest officers or by the Government). Also includes dipping vats and counting chutes. (Report by number.)

Stock Driveways (Range).

Includes all driveways which have been improved by clearing, grading, construction of bridges, etc.

Stock Bridges (Range).

Includes all types of bridges and stock crossings costing \$500.00 or more constructed on stock driveways. The cost of bridges costing less than \$500.00 will be included in the cost of the driveways on which located.

Water Development (Range).

Includes all improvements for the watering of livestock on the ranges.

OTHER INVESTMENTS

Acquisition, Exchange and Gift.

To the current costs taken from the annual expenditure records there should be added, as a separate item, the value of Government timber alone exchanged for land in all exchange cases where the title to the land has actually passed to the Government. These timber values will be taken from the exchange reports of consummated cases. (For procedure in connection with current transactions subsequent to initiation of the record, see "Other Adjustments" under "Conversion of Activity Expenditures to Activity Costs").

Where land has been exchanged for land, only the expenditures incident to the exchange will be taken up as investment, no recognition being given to timber values on either tract.

The total cost value of lands acquired by exchange will be entered on a Form 21-j. The acreage actually acquired during the period should be entered in the statistical section of Form 21-j and the acreage disposed of by exchange disregarded.

No depreciation will be applied to this investment, but if any part of the forest involving exchanges is disposed of by transfer to another unit, both "Cost" and "Present Value" on Form 21-j should be reduced by the estimated original cost of acquiring the exchange lands within the area. If the transfer has been to another forest, that forest should be informed of the acreage and values involved so that they may be taken up in its investment record. Ordinarily the investment in lands acquired by exchange or gift may be maintained on one Form 21-j, which will result in a record of the additions to investments in forest lands, but not necessarily their investment value since in making exchanges no values are included for the land acquired except the cost of making the exchange.

Acquisition, Purchaser.

Any values specifically allowed for improvements acquired in purchase cases should be eliminated from the acquisition investment and included in the proper improvement investment.

Ordinarily, values of timber and land need not be segregated. However, where the value and potential sale of mature timber acquired was a factor influencing the price per acre paid, the mature timber value should be segregated and the investment in purchased land decreased when the timber is sold, by the net difference between the sale price and the cost of selling and administering the sale. Adjustments of this nature will be made by journal vouchers, the net consideration being recorded as a credit entry in columns 3 (a) and 4 of the Form 21-j and reflected in the adjustments on Form 43-c as well as in columns 3 and 7 of the Investment Statement, Form 43-d, in the same man-

ner as the sale of any other Government property.

At the close of the fiscal year the purchase of lands from acquisition funds by the Washington Office will be reported to the regions and forests concerned. Outstanding obligations at the close of the year will be treated as deferred charges on the Washington Office records and distributed to forests later on the basis of actual expenditures of such funds.

No depreciation will be applied to this investment. In addition to taking up the actual purchase price of lands and other expenses in connection therewith as paid for out of acquisition funds in the Washington Office, the current costs as shown in the forest records for this investment will be included on Form 21-j. The acreage acquired through actual passage of title will be shown in the statistical section of Form 21-j.

Reforestation, Field Planting and Seeding.

Cumulative investment records, Form 21-j, will be maintained for each field planting and seeding project, the object of which is reforestation of National Forest areas. (See Activity No. 26.1). Large projects will be carried on separate records. Where planting on a given project extends over a number of years, each year's costs and acreage planted will be brought into the cumulative project record. Miscellaneous small projects to which additional planting is not contemplated may be carried on one record as "Miscellaneous Small Planting."

The cost of seed collection will not be carried as "Reforestation" but will be taken up as a separate item under "Stores" and treated as an investment to be written off as the seed is used or transferred to other units. (See Activity No. 37.1 Stores).

No depreciation will be applied to the investment in reforestation and no deduction will be made for failure or losses.

Reforestation, Other.

Cumulative investment records, Form 21-j, will be carried for Experimental Planting and other costs as defined under Activity No. 26.2—Reforestation, Other. Experimental Planting costs should be carried separately from other costs but separate project costs are not necessary unless such records are required locally.

Unless directed by the Forester, no depreciation will be applied to this investment and no deduction will be made for failure or losses.

The cost of nursery stock planted will be taken up at the close of the fiscal year as an adjustment. The nursery will furnish Journal vouchers showing the cost of the stock issued and these costs will be added to the expenditure records and thus become a part of the Reforestation investment.

Nurseries.

The investment classification "Nurseries" represents investment in nursery planting stock. The present value shown on the investment statement should agree with the present value shown on the investment records Form 21-j and should be in approximate agreement and reconcilable with the investment in planting stock as shown in the Nursery Cost System. Exact agreement can not be maintained since the investment value on Form 21-j is computed at the close of the fiscal year, whereas the nursery record is computed at the close of the calendar year.

Changes in this investment result from nursery work in connection with "Tree Production" during the accounting period such as, current expenditures, issues from the Stores account, Deferred charges, Depreciation on Improvements and Equipment, Planting Stock losses and issues, etc.

Other nursery investments will be represented on Form 21-j kept for Improvements, Equipment, Stores on hand, Deferred charges, etc., (See "Nursery Costs," page 86D8 of the Manual).

Timber Surveys and Plans.

Investment records Forms 21-j, should be maintained for all investments in appraisals, timber surveys and plans. They may be set up by projects or by fiscal year costs using separate Forms 21-j for each year, or may be grouped on one Form 21-j whichever method is considered most desirable.

Timber cut and removed must stand its share of the costs of all timber surveys and plans according to the most equitable basis that may be devised for the particular circumstances involved, even though the survey may not prove to be usable.

It may be advisable to keep costs for certain timber surveys and plans by projects and write them off over the period of sales from the area or according to the rate of cutting. Costs of management plans will usually be written off over a period of years which it is believed the plan will be of major use. The mere fact that a management plan may be said to render benefit for practically an indefinite number of years should not usually result in the costs of such plans being prorated over an extended period of time. When the costs of timber surveys and plans are minor, a proration of costs on a ten-year basis will usually be satisfactory. When the costs become large, consideration must be given to carrying the investment under such projects as will facilitate the application of depreciation in a more equitable manner.

Grazing Surveys and Plans.

This investment presents practically the same problem as "Timber Surveys and Plans," and the same general instructions will apply. Costs of grazing surveys and plans will be uniformly

charged into current grazing costs over such life terms as appear equitable in each case. Usually the distribution should not extend over a period of more than twenty years and a much shorter period is more applicable to some of the work carried under this investment.

Fish and Game Surveys and Plans.

Investment records Form 21-j will be maintained for all forests or other unit plans for fish and game management when undertaken on a project basis.

Recreation Surveys and Plans.

Investment records Form 21-i should be maintained for all recreation surveys and plans for the Forest as a whole, individual recreational units and advance surveys of summer homes sites. For the latter, the cost will ordinarily be written off as the lots are covered by special use perm'ts, the depreciation being charged to the activity "Uses Revenue." The depreciation on other recreation surveys and plans will be charged to the activity "Recreation, Non-revenue."

General Surveys and Maps.

Investment records Form 21-j will be maintained for general base map data, Status record, and Corner record, all of which will take no depreciation; also for base map prints purchased which will be depreciated over the period it is estimated the prints will be available for distribution; for boundary or other General surveys conducted on a project basis for which a standard life of 10 years will apply. Minor expenditures of a recurrent nature in connection with revision of forest base maps and boundary surveys and recurrent boundary posting of an incidental character should not be charged here but to General Overhead.

Timber Stand Improvement.

Investment records Form 21-i should be maintained for the cost of all timber stand improvement work undertaken primarily for stand improvement. Also stand improvement incident to timber sales in the nature of "Sale area Betterment" as defined in the Act of June 9, 1930 (46 Stat. 527) when it is practicable to separate the costs from the sale operations (excepting co-operative brush disposal properly chargeable to Activity No. 45—Timber Disposal Co-operation).

Theoretically this investment should be written into the timber involved when marketed if the improvement pertains to a particular stand of timber. However, the improvements may be of a nature as affecting surrounding timber as well as the immediate timber to which the improvement is applied. It will be

the practice to write off the investment costs into current timber sale costs over a period that may be equitable to current costs, instead of attempting to defer the write-off to the period when the particular stand improved is marketed, on the theory that such timber may have to later stand charges for such costs on account of other stands improved. In some instances, however, it may be necessary to withhold writing off the investment into current costs for a good many years, but it should not be the practice to permit such charges to pile up indefinitely as an investment.

Other Investments (32.2).

Individual investment records Form 21-j will be maintained for all investments of a miscellaneous nature for which no specific investment account is provided.

EQUIPMENT AND STORES

The cumulative record of investments in equipment will be carried on Form 21-j. The statistical part of the form will be filled out only to the extent applicable.

Each equipment account will be maintained in two sections as follows:

- (1) "Large": Includes individual pieces of General or Fire equipment costing \$100.00 or more, and less expensive equipment for which individual depreciation records are desired; "Large" pieces of Road and Trail equipment costing \$250.00 or more and less expensive Road and Trail equipment designated for individual depreciation.
- (2) "Small": Includes miscellaneous items of General or Fire equipment costing less than \$100.00 and all Road and Trail equipment not designated for individual depreciation.

Equipment Large.

A Form 21-j must be maintained for each piece of equipment designated "large." In the statistical section there should be shown a full description giving the name, make, serial number and motor number of the equipment as well as the account and class to which it belongs, such as Road and Trail (Large), Fire (Large) or General (Large).

Items of freight pertaining to original delivery of such equipment should be included in the investment values.

Purchases of "large" equipment will be posted to current expenditure records and taken into the investment records at the close of the fiscal year by individual pieces.

In order that such equipment and accompanying freight charges, if any, may be readily ascertained at the close of the year, the current activity expenditure records should bear suitable notations for distinguishing the items as, "Russell grader,"

"Freight on Russell grader," etc.

Depreciation on equipment designated "Large" will be calculated for each piece of equipment on the basis of use and functional depreciation. It must be determined by knowledge of the condition of equipment and experience as to its probable length of life under the conditions which surround its use.

Since a part of the depreciation on large equipment will be distributed to investment accounts as a cost, it is desirable that the cost value of all large equipment be currently reduced by the amount of the depreciation in order to avoid reflecting in the equipment investments cost values which have through depreciation been transferred to costs in other investment classes. It is realized that all the depreciation on large equipment will not go to Investment Accounts, but it seems more desirable to reduce the cost value of equipment than to duplicate investment costs.

Depreciation on large equipment will therefore be treated as a reduction of cost values as well as present values. This will be accomplished by a credit entry in column 3 (a) of the Form 21-j and reflected in the "Adjustment" column (3b) of the Investment Statement. Abandonments and sales will be treated in the same manner as prescribed for improvements.

Equipment Small.

Investment records for this class of equipment will be kept by values only and while depreciation is not to be applied in the manner prescribed for large equipment, the present values will be maintained by considering the value of all small equipment lost, destroyed or condemned, as being the amount of annual depreciation to be applied.

All Forms 858 submitted during the year will be priced currently, using average unit costs taken from the property cards. At the close of the year the value of the losses will be summarized and entered in column 5 (a) of the Form 21-j and included in the distribution of depreciation.

In addition to the above Form 858 items will be recorded as a reduction of "Cost" values by credit entry in columns 3 (a) of the Forms 21-j and reflected in the adjustments column (No. 3b) of the Investment Statement.

Transfer of Equipment.

The undepreciated value of all equipment disposed of by transfer will be entered as a reduction of the investment values carried on Forms 21-j. In the case of "Large" equipment, the "Total to Date" and "Present Value" will be reduced to nothing by credit entry of cost values in column 3 (a) and credit entry in column 4 covering the present value at time of transfer. In the case of "Small" equipment, the average cost taken from the

property cards, will be deducted from both the "Cost" and "Present" values by credit entries in columns 3 (a) and 4. Property received by transfer will be taken upon the Forms 21-j by reverse of the procedure outlined for property transferred from the unit. Forms 939 covering transfers must show the value of equipment transferred and in the case of large equipment a copy of the Form 21-j showing the name, make, number, year purchased, etc., as well as the cost and present values, will be forwarded to enable the receiving unit to set up appropriate investment records.

In event surplus "small" semi or non-expendable equipment is transferred to the Supply Depot, the Supply Officer will indicate upon the "receipt" copy (Form 939) the unit price at which the transferred equipment is taken up on the Supply Depot records. The transferring unit will hold the "tickler" copy of the Form 939 in abeyance until the receipt copy showing the unit prices inserted by the Supply Officer is received. Any difference between the cost value shown by the transferring unit's records and the appraised cost value assigned by the Supply Officer will be taken up as depreciation.

Stores.

Investment records for general stores R&T stores and Central Purchase Stores will be maintained on separate Forms 21-j which will include the cost of all supplies, materials or equipment purchased and stocked for future distribution.

The stores accounts will be credited with the value of all stores issued. (See Adjustments.)

In initiating the Stores account for a Central Purchase unit the "Net Worth" as shown by the unit's last financial statement prepared prior to the end of the fiscal year in which the investment record is established will be entered on Form 21-j by whatever classes are desired. At the end of the fiscal year this amount will be increased by the appraised value of equipment and supplies secured without cost, decreased by losses through spoilage or shrinkage, and increased or decreased by the difference between the operating expenses and handling charges. When losses through handling charges occur and it is anticipated that such losses will be offset by increased handling charges in a later period the losses may be carried as a deferred charge and not reflected in the Stores account for the current fiscal year.

Deferred Charges.

Deferred charges will be taken up as follows: After "Total Expenditures" have been determined on the activity expenditure sheets and conversion of expenditures to costs is undertaken, the amount of charges to be deferred should be deducted from each account affected and entered in other columns of the Form 21-i

as a debit to the desired classes of deferred charges such as "Timber marked in advance of cut," etc., so they may ultimately be included in the Cost and Investment Statements as Deferred Charges.

Deferred Charges will be carried on Forms 21-j as temporary investment by such headings and explanations as will insure proper allocation to other accounts in subsequent periods. When deferred charges are taken into other accounts the write off will be treated as an adjustment and the investment in Deferred Charges reduced by appropriate entries in columns 3 (a) and 4.

CONVERSION OF ACTIVITY EXPENDITURES TO ACTIVITY COSTS

The various steps necessary to convert the activity expenditures to activity costs at the close of the fiscal year are as follows:

- (1) Adjustment for charges to be deferred to future periods and charges deferred in previous periods which are to be brought into current costs.
- (2) Adjustments for accrued charges, if any.
- (3) Other adjustments covering such items as corrections, Stores issues, inter-unit transfers of costs, timber exchanged for land, transfers of improvements or equipment, etc.
- (4) Distribution of depreciation on equipment, improvements and other assets, to expense and other accounts properly chargeable.
- (5) Distribution of improvements maintenance charges.

With the exception of items (4) and (5) Journal vouchers, Form 21-h, should be prepared covering the transactions and retained as permanent records of the adjustments made in arriving at Activity Costs.

Distribution of depreciation and distribution of maintenance may be accomplished on columnar sheets which will be given a journal voucher number and retained as supporting data the same as other journal vouchers. Form 939 covering transfers, and Forms 217, 858, etc., will also be considered journal vouchers and numbered or they may be supplemented by Forms 21-h.

The use of Form 21-h is illustrated in the following example:

Date	Account Title and Explanations	Debit	Credit																					
July 1	No. 12—Recreation, Non-revenue No. 31—Rec.—Surveys and Plans To correct expenditure distribution erroneously reported in Form 43.	\$ 2.17	\$ 2.17																					
	No. 23.1—Other Improvements <table style="margin-left: 20px;"> <thead> <tr> <th></th> <th style="text-align: center;">Cost</th> <th style="text-align: center;">Pres. Value</th> </tr> </thead> <tbody> <tr> <td>1 Dwell.. T.S.</td> <td style="text-align: center;">\$250.00</td> <td style="text-align: center;">\$ 50.00</td> </tr> <tr> <td>1 Barn, T.S.</td> <td style="text-align: center;">75.00</td> <td style="text-align: center;">25.00</td> </tr> <tr> <td>2 Other St. T.S.</td> <td style="text-align: center;">80.00</td> <td style="text-align: center;">20.00</td> </tr> <tr> <td>3.6 Fences, T.S.</td> <td style="text-align: center;">360.00</td> <td style="text-align: center;">90.00</td> </tr> <tr> <td></td> <td style="text-align: center;"><hr/></td> <td style="text-align: center;"><hr/></td> </tr> <tr> <td></td> <td style="text-align: center;">\$765.00</td> <td style="text-align: center;">\$185.00</td> </tr> </tbody> </table>		Cost	Pres. Value	1 Dwell.. T.S.	\$250.00	\$ 50.00	1 Barn, T.S.	75.00	25.00	2 Other St. T.S.	80.00	20.00	3.6 Fences, T.S.	360.00	90.00		<hr/>	<hr/>		\$765.00	\$185.00	\$185.00	
	Cost	Pres. Value																						
1 Dwell.. T.S.	\$250.00	\$ 50.00																						
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2 Other St. T.S.	80.00	20.00																						
3.6 Fences, T.S.	360.00	90.00																						
	<hr/>	<hr/>																						
	\$765.00	\$185.00																						
	(Transferring) Nat'l. Forest Improvements received by transfer from _____ N. F. on account of consolidation.		\$185.00																					
	No. 16—Maintenance Trails, (Primary) No. 37.2 Stores, R.&T. For powder, _____, issued from Stores.	\$100.00 \$100.00																						

In the foregoing example the first item covers a correction in distribution of current year expenditures. It will be shown in the adjustment column on Form 43-C but since it adjusts current year expenditures the adjustment effecting Activity No. 31 will be reflected in column 2 on Form 43-D and will not be shown in columns 3 and 7 of that form. The second covers a transfer of improvements from one unit to another, showing the data necessary for reflecting the transaction in the Cost and Investment Statements of the receiving unit. Only the "present" value will be taken up as "adjustments" in the Cost Statement while in the Investment Statement, the "cost" value will be shown as an increase in column 3 and the "present" value as an increase in column 7. After the transfer has been taken into the cost records, the copy of the project records furnished by the transferring unit will be placed in the investment ledger of the receiving unit. The third item represents value of materials taken from R&T Stores for use on current work.

Form 21-h should be used for all transactions not covered by Forms 217, 858 and 939, and may be used to supplement those Forms when more detail is required. In the case of all inter-regional transfers of investments a copy of the Journal Voucher will be forwarded through the **Regional Fiscal Agent of the transferring Region** to the Regional Fiscal Agent of the Region receiving the investment.

Since Nursery expenditures are carried separately from Forest expenditures in the activity expenditures, depreciation on nursery equipment and improvements and maintenance of nursery improvements may be allocated directly to the activity "Nurseries." No other depreciation or maintenance charges will be charged directly to Nurseries.

Application of Equipment Depreciation.

Depreciation on "Large" Road and Trail equipment will be allocated directly to maintenance, construction or other road and trail projects upon which it was used during the year. Depreciation on other classes of "Large" equipment will be allocated directly to activities and projects upon which used or, if the use was so general that direct allocation is impracticable, it may be classed "General," and prorated to activities.

For "Small" equipment, the loss in values shown by Forms 858 will be taken as the annual depreciation. Each Form 858 prepared must itemize the equipment and show the activity and/or project upon which it was in use when lost, destroyed, worn out or condemned. If not in use and the activity cannot be specified, the Form should be designated "General."

These values together with any other equipment depreciation charges transferred to the unit will be tabulated, making direct distribution in all cases where the activity or project is specified and by proration of any item classed "General."

Application of Depreciation on Improvements and Other Investments.

The depreciation on improvements and other investments will be tabulated according to the resource classification as shown in the upper right-hand corner of the Form 21-j record. Under each resource classification the depreciation on individual improvements will be grouped according to particular activities directly affected. For instance on Improvements in the Resource Class "Timber," there may be depreciation on "Reforestation" improvements which should be applied directly to "Reforestation"; under the Resource Class "Grazing" there may be depreciation on certain range improvements that apply particularly to Grazing, C. & H., Revenue; also under "Grazing" the write-off of Grazing Surveys and Plans may apply wholly to Grazing, C. & H., Revenue. All such instances should be grouped for

direct application to the accounts affected.

In other instances, investments classified under one heading, as Grazing, or Timber, etc., may apply to several accounts pertaining to that resource, in which event the depreciation so grouped will be prorated to the accounts affected on the basis of the hours used for distribution of General Overhead expenditures on Form 34, taking only the hours shown for the activities affected.

Depreciation on all improvements classified as "General" will be distributed in much the same manner as General Overhead, using only the hours shown for activities which are to receive depreciation always excluding the hours shown for (1) Maintenance of Improvements except "Maintenance Roads, Forest Highways" which will receive depreciation; (2) Investment accounts, except Reforestation and Acquisition Accounts which may receive depreciation; (3) Equipment Accounts.

Under this procedure improvements which are later to be depreciated or distributed will receive no depreciation charges from improvements by general proration. However, certain improvement projects, either construction or maintenance, may receive depreciation charges from equipment or improvements when the charges can be allocated directly to them. For example, depreciation on equipment through use, loss or destruction may be distributed directly to Improvement projects or, depreciation on a building used exclusively in connection with road construction may be distributed directly to Road Projects.

Distribution of Depreciation.

After all depreciation including depreciation charges transferred to or from the unit, has been completely tabulated and the amount of distribution to the various activities and projects ascertained, the charges should be taken up under the proper accounts on the cost summary (Form 21-i) as "Distribution of Depreciation" and posted to Form 19-h where projects are affected.

Application of Improvement Maintenance Costs.

After equipment depreciation charges affecting maintenance of improvement have been distributed to the maintenance accounts, all maintenance costs except "Maintenance Roads, Forest Highways," will be tabulated for distribution.

Expansion Accounts kept for maintenance of improvements pertaining to particular accounts, should be allocated directly. For instance, under the major activity, Maintenance of Other Improvements accounts may have been kept for "Maintenance of Public Service Improvements," "Maintenance of Range Improvements," "Maintenance of Fire Protection Improvements," etc., in which event such charges may be allocated directly to Recreation, Non-revenue, Grazing accounts, and Fire Protection ac-

counts, respectively.

All other maintenance costs will be distributed by the same process used for distribution of overhead, using only hours shown for the activities which are to receive the charges. When the distribution has been tabulated and the amount of distribution to the various activities determined the charges should be taken up under the proper accounts on the Cost Summary (Form 21-i) as "Distribution of Maintenance," at the same time clearing by credit entry, the maintenance accounts distributed.

Application of Deferred Charges.

Deferred Charges will be eliminated from current expense accounts, as previously outlined, at the close of the fiscal year. The amount of previously deferred charges to be brought into the current costs from the record as maintained on Forms 21-j should be determined and allocated to the accounts properly chargeable therewith. Entry should be on the cost summary sheets as, "Charges previously deferred."

Other Adjustments.

Other adjustments to be made will vary with different forests. Such items as investments in lands acquired through exchange of timber for land should not be overlooked.

At the close of each fiscal year the value of timber exchanged for land, as shown by exchange cases consummated and title actually acquired during the year, will be taken up by Journal Voucher as an additional cost to the investment in land acquired.

Improvements constructed under Reg. G-15 and G-16, in which amortization of the costs are involved, should be taken up at full cost on Form 21-j and the activity expenditure sheets, the amount unliquidated being shown on Form 21-j under the "Co-operation" column.

As amortization of the cost of such improvements progresses, the unliquidated balances in column 3 (b) should be reduced and column 3 (c) increased by the amount amortized so that only "unliquidated" balances remain in column 3 (b).

Improvements acquired without cost which will be maintained and used will also be taken up on the activity expenditure and cost sheets and on Form 21-j.

The value of materials and supplies issued from stores during the period should be charged to the activities and projects upon which used, a corresponding credit being made to the Stores Account.

The regional office may have chargebacks of depreciation on equipment and other investments at the close of the fiscal year which it will be necessary to take up as a part of the forest activity costs. For instance, losses of regional office fire equipment

and depreciation on road and other equipment that may be allocated to activities and projects will be charged back to Forests. Chargebacks of this character should be taken up as an increase to the depreciation charges originating from assets of the unit and included in the distribution of depreciation entered on the cost summary. Chargebacks for other than depreciation will be taken up as "Regional Office Chargebacks."

Protection.

Until such time as a satisfactory method may be devised for distributing protection costs to resource accounts and to investment and expense, no distribution of such charges will be made.

Closing the Summary of Activity Expenditures and Costs.

When all adjustments necessary to convert expenditures to costs have been made the various account columns will be totaled and the totals entered as "Total Activity Costs." At this point it should be ascertained that the total of the project sheets (Form 19-h) for each investment account is in absolute balance with the total shown for the corresponding investment account on the Summary. This is essential since all posting which will later be made to the Investment and Depreciation Records, Form 21-j, will be made directly from Forms 19-h.

STATEMENTS OF ACTIVITY COSTS AND INVESTMENTS FORESTS

Activity Cost Statement.

The first step in preparing the Activity Cost Statement, Form 43-c, will be completion of the "Reconciliation Statement" on the back of the form. In the "Depreciation" section, enter in one amount as "Depreciation this unit" the total depreciation taken on all classes of investments carried in the unit's records. To this amount there should be added or deducted any depreciation charges transferred to or from the unit. Under "Deferred Charges (from previous years)", show charges deferred in previous years which are being brought into current period costs. Under "Deferred Charges (to future years)", show whatever current period charges are being deferred to future accounting periods. Under "Adjustments" plus or minus, show all other Journal Voucher adjustments of current costs. "Net Activity Costs," as determined by the reconciliation, should agree with the total activity costs shown on the Summary of Activity Expenditures and Costs and serve as the "control" figure for the entries to be made on the face of the form.

After the above reconciliation has been accomplished a transcript of the expenditures and cost summary will be made on the face of the Form 43-c, showing for each activity except mainte-

nance accounts eliminated by distribution, (1) Expenditures, (2) Maintenance Costs (Distributed), (3) Depreciation costs (Distributed), (4) Adjustments, net (the net sum of which should agree with the net sum of the adjustments and deferred charges taken into the reconciliation statement) and (5) Total Costs, the total of which must balance with the "Net Activity Costs" shown on the reverse side. It should also be noted that the total of the entries in columns 1 and 2 of the cost statement, minus the amount of depreciation distributed to maintenance activities, equals the total expenditures reported on Form 43 and that the total depreciation shown in column 3 plus the amount of depreciation distributed to maintenance equals the total depreciation taken into the reconciliation statement including depreciation charges transferred to or from other units.

The column "Resource Income" on the face and the "Unit Costs" section on the reverse of the form will not be filled in by the forests, these data will be supplied and computations made in the regional office of accounts.

Activity Cost Statements will be prepared by each field unit and submitted in triplicate to the Regional Forester as called for in the Regional schedule of reports. One copy of each statement will be forwarded to the Forester after being checked and verified and one copy returned to the unit.

Investment Statement.

The investment Statement, Form 43-d, is a summarization of the investment and Depreciation Records, Form 21-j. It will be prepared by each forest, nursery or other field unit and submitted in duplicate to the regional forester on or before the date specified in the regional schedule of reports. One copy will be forwarded to the Forester after being checked and verified.

The Statement is to include all investments carried on Forms 21-j, which are the property of the Forest Service, or in which it has an equity, as in the case of improvements constructed under the provisions of Reg. G-15 and G-16. and improvements acquired without cost which are used and maintained by the Forest Service.

In addition to making the summary of investments in the columns provided on Form 43-d there should be shown by footnote the unliquidated costs of Reg. G-15 and G-16 improvements. This information will be taken from columns 3 (b) of the Forms 21-j for such improvements.

For statistical purposes, improvements reportable by number will be included as an increase in number previously reported if construction or erection work was actually started during the fiscal year, but any costs incurred on a project even though construction was not actually started during the year will be in-

cluded as an increase in costs of the class, but not as an increase in the number thereof. Where the mile is the unit of construction, the number of miles constructed during the year will be included regardless of the state of completion of the project.

Additions to or betterment of existing improvements, reportable by number should not be reported as adding to the number of such improvements, but costs thereof should be included. Also, only the cost of additional construction on or completion of unfinished projects, reportable by number which were started in a previous year should be included. Improvements reconstructed or replaced should be treated as new projects, the old projects being reported as abandoned, destroyed, etc.

The entries in column No. 1 of Form 43-d should equal the totals of columns 4-a and 4-b of the previous year's statement as well as the total of all columns 3 (d) of the Forms 21-j as of the beginning of the fiscal year.

The total of the entries in column 2 of the Form 43-d should equal the net total of current year entries in columns 3 (b) and 3 (c) of forms 21-j, excluding the current year entries in column 3 (b) for investments acquired without cost such as, Gifts and Appraised values, which will be included in the adjustments in column 3 of the 43-d.

The net total of column 3 of Form 43-d should equal the net total of the current year entries in column 3 (a) plus the "acquired without cost" entries in column 3 (b) of the Forms 21-j.

The total of the entries in column 4 (a) of Form 43-d should equal the total cost value (column 3 (d), Form 21-j) of all investments wholly depreciated at the beginning of the current fiscal year.

The total of the entries in column 4 (b) of Form 43-d, should equal the total cost value (column 3 (d), Form 21-j) of all investments not wholly depreciated at the beginning of the current fiscal year.

The sum of columns 4 (a) and 4 (b) should equal the total of all columns 3 (d) of Forms 21-i as of the close of the current year and should also equal the net sum of columns Nos. 1, 2, and 3 of the statement.

The total of column 5 should equal the total of column 8 of the preceding year's statement and the total of "Present Value" column 6 of the Forms 21-j as of the beginning of the current year.

The entries in columns 6 (a) and 6 (b) of Form 43-d are taken from a summary of the current year depreciation entered in columns 5 (a) and 5 (b) of Forms 21-j and will be the amount of depreciation taken into the Depreciation section of the reconciliation statement on the reverse of the Form 43-C as "Depreciation, this Unit."

The net total of column 7 should equal the net total of the current year entries in Column 4 of Forms 21-j, and should also equal the net total of the adjustments in the "Investment" section of the Cost Statement plus or minus any adjustments affecting *current year expenditures* which must be reflected in Column 2. These net adjustments, which affect the "Present Value" only, usually result from Sales, Transfers or Reclassification and reflect the changes in present value brought about by adjustment of "Cost to Date" values shown in column 3. For example, through consolidations, one forest may receive a building by transfer from another forest. The "Cost to Date" value of the building is \$2,500.00 with a "Present Value" of \$1,500.00, the transferring unit having absorbed depreciation to the amount of \$1,000.00. The receiving forest would take up the statistical cost, \$2,500.00 as a plus adjustment in column 3 and the Present Value, \$1,500.00 as a plus adjustment in column 7 since that is the amount which should be reflected as an addition to the Present Value shown in column 8 and is the amount which will affect future costs of the receiving forest. Similarly, through sale of an investment the "Cost to Date" value would be shown as a minus adjustment in column 3 and the "Sale Proceeds" shown in column 7, the difference (plus or minus) between the sale proceeds and the Present Value at the time of sale, being absorbed in column 6 of the statement. Minus differences will be entered in column 6-b and plus differences in column 6-a as credits to depreciation.

Other adjustments affecting column 7 arise in connection with: correction of distribution involving investments; taking up cost of Reg G-15-16 improvements; taking up value of timber exchanged for land; taking up present values for improvements acquired without cost; etc.

The sum of columns 2 and 7 of the Form 43-d should equal the total increase or decrease to Investments as shown by the total of the "Investment Accounts" section (column 5) of the Cost Statement, Form 43-c.

The entries in column No. 8 are taken from a summary of the totals of column 6 of the Forms 21-j and should equal the net sum of columns 5, 2, 6 (a) and (b), and 7 of the Statement.

The entries for column 9 are taken from a summary of columns 3 (b) of the forms 21-j, the "Current Fiscal Year" column showing current year changes and the "To date" column the cumulative totals.

EXPERIMENT STATIONS, TAX INQUIRY, FOREST PRODUCTS LABORATORY AND NURSERIES

Form 43-c, Activity Cost Statement, will be submitted by experiment stations (including Regional Office research units), the Tax Inquiry Unit, the Forest Products Laboratory and Nurseries.

To the activity expenditure statement figures will be added on Form 43 (c) the depreciation on equipment and improvements as shown on Form 21-j, Investment and Depreciation Records, which will be maintained in the same manner prescribed for forests.

The Investment Statement, Form 43-d, will also be prepared by these units in the same manner as prescribed for forests. On the Nursery Statements, the words "Planting Stock" will be inserted after the investment class "Nurseries" and the investment in Nursery Planting Stock entered opposite this caption.

The Laboratory will submit both forms to the Forester not later than November 15. The two reports for Experiment Stations, Tax Inquiry Unit and Nurseries will be submitted in triplicate to the Regional Forester on or before the date called for in the regional schedule of reports.

REGIONAL OFFICE

The regional office of accounts will enter the resource income and statistical data from regional office records and compute unit costs to four decimals on the forest Form 43-C. All copies will be completed and the original sent to the Forester, the triplicate being returned to the submitting forest.

The resource income to be reported on Form 43-C will be secured as follows:

The income for timber sales will be the value of timber cut during the fiscal year as shown on the quarterly reports of timber cut and sold and should include the value of timber actually cut under land exchange agreements during the year as shown by the quarterly land exchange cutting reports A and B, minus the value of timber rejected as shown on Sheets B.

The income for Forest Products Sales will be taken from the quarterly cut and sold reports for the fiscal year, using the value of products actually disposed of.

The income for Grazing C&H and Grazing S&G, Revenue, will be secured from the supplemental income statement submitted by the forests in connection with the Activity Expenditure Statement (Form 43).

All other income data will be secured from the face of the Activity Expenditure Statements, (Form 43).

The statistical data for volume of timber cut, number of head grazed, acreage, etc., will be the same as that used in the "Activity Unit Expenditure" block on the reverse side of the Activity Expenditure Statement (Form 43).

Regional Activity Cost Statement.

After all adjustments affecting regional office costs have been made and depreciation on regional equipment and other invest-

ments computed and distributed to regional office activities, the Regional Cost Statement, Form 43-e, will be prepared combining forest costs with those of the regional office. This statement does not provide for showing the activity costs of each forest, but the costs of all forests are combined, and the regional office expenditures and depreciation costs added in the columns provided to obtain total regional costs. On the reverse of the form the unit activity costs for the region should be compiled.

The report will be accompanied by a reconciliation statement following the general outline of the reconciliation statement on forest Forms 43-C. This statement will show the following:

Net total Activity Expenditures as reported on Form 43-a, to which will be added or deducted as separate items (1) Depreciation on Regional investments, (2) Depreciation charges transferred from other units to the Regional office, and (3) Depreciation charges transferred from the Regional Office to other units. To the resultant total will be added or deducted (1) Inter-regional transfers; (2) Transfers between Forests and Nursery, Experiment Station and/or Tax Inquiry Units within the Region; (3) Adjustments which increase or decrease the amount reported on Form 43-a such as Timber for Land, Acquired Improvements, Sale of Improvements and Equipment, etc.; and (4) Adjustments necessary on account of central purchase activities.

Transfers between Forests and/or between Forests and Regional Office within the Region and adjustments in current year expenditures correcting distribution to activities as reported on Form 43-a need not be reflected in the reconciliation statement. Inter-regional transfers reported must be itemized to show nature of transaction, region and activity effected. The net total of this statement will be the net activity costs with which the "Total Activity Costs" on the face of Form 43-e must agree.

For nurseries and experiment stations a certified copy of the Form 43-c for each individual unit will be submitted.

Regional Investment Statement.

A separate Investment Statement Form 43-d, will be prepared for the Regional Office which will include all Regionally owned investments such as, Buildings, Equipment, Stores, Highways, Miscellaneous Surveys and Plans, Deferred Charges, etc.

After all Forest, Nursery and Experiment Station investment statements are received and verified, combined statements for the Region will be prepared on Forms 43-d, as follows:

- (1) Combined Forests and Regional Office.
- (2) Combined Nurseries.
- (3) Combined Experiment Stations and Regional Office Research Unit.

Where only one experiment station or nursery is located in the Region an approved copy of the unit Form 43-d will be submitted.

These Regional Statements, Forms 43-e and 43-d, will be due in the Forester's Office November 15.

WASHINGTON OFFICE

When the activity cost and investment statements are received from the regions, the Washington Office will combine them in statements for the entire Service to which will be added Washington Office costs.

ANALYSIS OF ACTIVITY COSTS AND INVESTMENTS

It is the policy of the Service that its business shall be transacted as economically as practicable consistent with the purpose for which the national forests were created. This does not mean necessarily that curtailment of expenditures is of prime importance. Rather, "economically" is here used in the sense that the relation between costs and the value of public benefits produced shall be the best obtainable under the existing conditions of Government management. This policy may result in increased expenditures in some instances as well as decreased expenditures in others. It is essentially a question of how and where funds shall be expended as well as how much.

The activity costs and investments, as presented in the cost-accounting records, are designed to assist in ascertaining to what extent Forest Service business is transacted economically and the factors of cost contributing thereto. For this purpose, all factors of cost are brought into consideration as accurately as practicable and allocated to periods in which the results from such costs accrue. For the cost-accounting records to render assistance in making progress in better financial management, it is necessary to analyze the various cost factors and investments to ascertain their effect on the ultimate results. Some of the characteristics of these analyses may be as follows: (1) To show the effect of managerial actions on economical administration, (2) To show the effect of past financial outlays on current costs, and (3) To show the relation between costs and results.

Some analyses may be made that have application to nearly all forests, regions, and the Service as a whole. Most forests, however, will have special conditions in which there is opportunity to apply special analyses, and this should be done. The activity costs and investment records can serve their highest use through study and analyses designed to establish fundamental relationships or comparisons that will influence future managerial actions directed toward economical administration. It will be the aim to develop and maintain for each unit of organi-

zation continuing records of analyses that are of distinctive value in maintaining sound financial management.

The following are suggestions as to the kind of analyses of accounting data that may be made for this purpose. When practicable, each analysis should be recorded in graphic or curve form and arranged so that it may be added to each year:

1. Percentage that total maintenance and depreciation costs included in resource activity costs are of the total resource activity costs.

To show the effect of investments on costs. If maintenance and depreciation charges tend to increase proportionately more rapid than other costs, consideration should be given to whether additional investments giving rise to these costs may be unwarranted or maintenance work accomplished more economically.

2. Percentage that total costs of producing income, not including protection costs are of total income produced.

It is desirable that this relationship be as favorable as practicable. The effect of managerial actions directed toward economical administration, aside from protection costs, are reflected in this relationship and a continuous graphic record will show the extent of progress in improving it.

3. Percentage that cost of producing income for the several revenue-producing activities i. e., Timber Sales, Forest Products Sales, Grazing, C. & H. Revenue, Grazing, S. & G., Revenue, Uses, Revenue, is of the income produced from these activities. Purpose is same as under number 2, but in greater detail so that it may be ascertained in which activities the relationship is most favorable and whether efforts directed toward particular activities have been effective.

4. Percentage (when such costs have been ascertained through expansion accounts) that cost of an element of cost, i. e., marking timber, scaling, travel time, taking grazing applications, etc., is of the total cost of the major activity concerned and of the income from that activity.

Purpose is same as under numbers 2 and 3, but in still greater detail, so that a closer comparison may be obtained between costs and established standards

5. Percentage that cost of General Overhead charged to more important activities is of the direct costs of such activities and of the income derived in the case of income producing activities. The more favorable the relationship maintained between these cost factors and between General Overhead costs and income, the more favorable relationship there will be between total costs and results produced.

6. Percentage that cost of maintenance and depreciation on classes of improvements is of the cost of such improvements.

This percentage will indicate in a general way what similar costs will be on proposed improvements of the same class, and assist in determining whether they may be expected to produce results commensurate with such costs. A reasonable amount of interest on such investments should also be considered in this determination.

7. Comparison of unit production costs with unit income based on volume, i. e., M feet cut, number of head grazed, etc. This will indicate how and to what extent the relationship between costs and income is affected by volume of income-producing units.
8. "Present Value" of the more important classes of improvements and investments by years. To indicate trend in such investments.
9. Comparison of purchases of equipment during the year with total depreciation of equipment. This will indicate extent to which investment in equipment is increasing or decreasing.

As indicated in the above examples, the analyses to be made will depend on the administrative results sought. Such analyses permit of ascertaining which cost factors are of such amount or of such nature that the activities causing them may properly be subjected to administrative action that will obtain more favorable results. The cost accounting system is designed to furnish basic data for such analyses and other necessary accounting information from which it may be judged whether sound financial management is actually being obtained and, if not, what the disturbing factors are.



